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UNDP: MATTERS RELATING TO THE PROGRAMMING CYCLES

Further elaboration of the framework for the next programming period

Report of the Administrator

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I. INTRODUCTION

1. The present report is the fourth in a series of five documents being prepared for the Executive Board in the year leading up to a decision on the next programming framework to be adopted at the annual session in June 1995.

2. The first report (DP/1994/20), submitted to the Executive Board at its annual session 1994, reviewed the conceptual issues surrounding the main programming framework elements: programming objectives, financing mechanisms, and resource distribution. The second report (DP/1994/59), submitted at the third regular session 1994, assessed the difficulties inherent in the present system and the changing realities of development cooperation; on this basis, it generated a range of options for each of the main framework elements. Taking into account deliberations by the Board, the third report (DP/1995/3), submitted at the first regular session 1995, elaborated a proposed three-year rolling planning scheme and an overall format for resource allocation categories. Subsequent to the first regular session 1995, several informal consultations were held with members of the Board to help to clarify some of the more technical aspects of the proposals. It was necessary to consider these broader elements before proceeding to a more detailed elaboration of resource allocations and resource distribution methodologies, which are the focus of the present report. References are made throughout the present report to more extensive background information provided in the earlier reports.

3. The present report covers three main topics. Part A of chapter II explores the fundamental links between the application of initiatives for change and the design of the next programming framework; and part B lays out the rationale for a broad set of resource allocation categories to support these initiatives. Part C of chapter II presents justifications for each of the proposed resource allocation categories and subcategories and outlines the Administrator's recommendations for relative allocations among these subcategories. Chapter III examines options for country-level resource distribution, with analyses that provide breakdowns by region and category of country (e.g., low income, least developed countries (LDCs)). Finally, chapter IV presents recommendations for consideration by the Executive Board. Interim or preliminary decisions on the options presented at the current session will enable more precise scenarios of the preferred alternatives to be prepared for the annual session 1995, when the final decision on the next programming framework is scheduled to be taken.

II. RESOURCE EARMARKINGS FOR THE NEXT PROGRAMMING PERIOD

A. The application of "Initiatives for change"

Background

4. As noted in the earlier reports on this subject, various governing body mandates in the past decade have set in motion a process of extensive reform in the United Nations system in general, and UNDP in particular. For instance, in order to improve coordination of the operational activities of the United Nations system, the General Assembly, in its resolutions 44/211 and 47/199 has, inter alia, called for strengthening the resident coordinator system, in which UNDP plays a major role and for the introduction of the country strategy note, where governments so decide, as an instrument for enhanced programme coordination based on national priorities. In other United Nations forums, UNDP has been asked to take leading roles in promoting human development and in capacity-building for sustainable development.

5. Over the years, the Governing Council and the Executive Board have complemented and reinforced these directives in their decisions by seeking increased effectiveness in UNDP-supported technical cooperation. Among the programming thrusts prescribed have been: the application of the programme approach based on national priorities; strengthening national capacity to manage all aspects of the development process; increased programme focus through the designation of priority areas for cooperation; emphasizing the comparative advantages of UNDP; and ensuring effective and substantive use of the technical capacities of the United Nations specialized agencies through the implementation of new support cost arrangements.

Initiatives for change

6. At its annual session 1994, the Executive Board considered the report of the Administrator entitled "Initiatives for change" (DP/1994/39) and adopted the pivotal decision 94/14 on the future of UNDP. In doing so, it supported the global framework for UNDP set out in the report and agreed that the overall mission of UNDP should be to assist programme countries in their endeavour to realize sustainable human development, in line with their national development programmes and priorities. The decision also encouraged the Administrator to focus the programme of UNDP by operationalizing the three goals and four priority areas outlined in the report.

7. As set out in the report, and endorsed by the Executive Board, the three principal goals for UNDP include: (a) strengthening international cooperation for sustainable human development and serving as a major substantive resource on how to achieve it; (b) helping the United Nations family to become a unified and powerful force for sustainable human development; and (c) most importantly, focusing UNDP resources on making the maximum contribution in programme countries to key dimensions of sustainable human development. Within this overall framework, it was recognized that UNDP must be results-oriented, using its assets and strengths to make the maximum contribution to sustainable human development in the countries served.

8. Further, the initiatives for change report identified, and the Executive Board endorsed, four areas of programme focus: (a) poverty elimination; (b) job creation; (c) protection and regeneration of the environment; and (d) the advancement of women, as well as a set of patterns of intervention in which UNDP had demonstrated comparative advantage.

Links to the programming framework

9. In adopting decision 94/17 on the next programming framework at its annual session 1994, the Executive Board underlined the necessary link between decision 94/14 on the future of UNDP, as discussed above, and the process leading to a decision on the structure of the next programming period. Thus, translating the overarching sustainable human development framework of the initiatives for change into a practical, operational programming framework, constitutes a major linchpin for the design of the structure for the next programming period.

10. In response to various legislation over the years, UNDP has, indeed, introduced significant changes to the content and focus of its programmes and to the structure of the organization. Refinements and enhancements continue in these directions. However, as pointed out in document DP/1994/20 (paragraphs 4-7), the cycle structure that serves as the programming cornerstone for UNDP has remained relatively static over the past 25 years. It is now imperative that this framework be adapted to the considerable, cumulative changes that have taken place in the environment for development cooperation, including the important legislative mandates outlined earlier, as well as the stagnation in UNDP core funding, and the increasing importance of non-core funding in the overall resources of UNDP. Furthermore, inherent difficulties in the cycle structure itself have become more evident over time. Taken together, these factors now demand some fundamental transformations in the current programming system to enable UNDP to better fulfil its evolving roles and functions. It is time, therefore, for a major overhaul of the existing cycle structure.

11. While the design of the programming framework is not the sole instrument UNDP can employ to achieve the objectives of decision 94/14, it does serve as the main mechanism for this purpose. The framework translates basic programming precepts into a set of resource facilities and programming tools, and goes on to prescribe financial levels and conditions for access to these facilities. Obviously, many other aspects of UNDP operations will need to be reviewed for their consistency with the initiatives for change and with the programming structure that is eventually established. This wider examination is not, however, treated here. 1/

1/ These wider operational issues will be addressed in the report that the Executive Board requested the Administrator to prepare on the future of UNDP for the annual session 1995 (decision 94/14, paragraph 6).

Principles underlying the framework

12. For the allocation of core resources in the next programming period, the Administrator proposes an overall framework that is: aligned to the three goals and four focus areas embodied in decision 94/14; responds to evolving development cooperation realities and United Nations system directives; and rectifies a number of difficulties inherent in the current structure. To do so will clearly require a rigorous examination of all components of the programming framework, leading to bold and substantive changes in programming arrangements, and the way UNDP does business. To this end, a number of operational principles can be derived that indicate that the next programming framework should:

(a) Reaffirm the fundamental principles of United Nations system operational activities (the voluntary, grant nature of multilateral assistance, universality, neutrality, and responding to national development policies and priorities);

(b) Permit the flexibility needed for effective and quick response to often rapidly changing needs at the country, regional, interregional and global levels while de-emphasizing the concept of entitlement to pre-assigned resources;

(c) Maximize the overall impact and effectiveness of United Nations system assistance across the entire spectrum of development cooperation;

(d) Maximize country-level impact in line with national priorities by a sharper focus of UNDP-supported activities and the effective monitoring and assessment of results;

(e) Enable UNDP to enhance its complementary roles in downstream support to programmes and upstream development of approaches, and strategies for sustainable human development;

(f) Maximize leverage for the mobilization of additional resources from a variety of sources;

(g) Optimize the use of expertise available through the United Nations specialized agencies at all stages of programming;

(h) Make optimum use of the range of implementation modalities available;

(i) Allow UNDP to support one of its most important "tickets to the future" - the resident coordinator system - and better undertake its historic role as a coordinating, synthesizing and unifying force for the United Nations system as a whole.

The proposed framework: a new departure

13. The Administrator believes that the objectives outlined above cannot be achieved by marginal or incremental changes to the existing structure. His recommendations in the present report, taken as a whole, therefore, represent a significant and positive departure from existing practices and provide a basis for the effective implementation of the initiatives for change. In making his recommendations, he has been cognizant of: the stagnation in the nominal level of core resources in recent years; the need to increase core resources and set up incentives and mechanisms for the mobilization of non-core resources; the inflexibilities in the present resource allocation system that hinder the ability of UNDP to respond flexibly to evolving development situations and improve focus and concentration in UNDP programmes; and, most important, the need to help programme countries to achieve greater impact and effectiveness in their programmes.

14. The Administrator has also, after a careful analysis of various alternatives, concluded that it is appropriate at the present stage in the deliberations to make specific recommendations on both the structure and the relative share of funding allocated to individual facilities.

15. In document DP/1995/3, a broad set of resource allocation categories for the next programming period were proposed: programmes/projects; programme development and technical services; and support to the United Nations system and aid coordination. A fourth category, covering the biennial budget, brings administrative and programme support costs into the total picture.

16. As discussed in greater detail in section II.B below, this original resource allocation framework has been considerably refined, taking into account the comments and views expressed at the first regular session 1995 of the Executive Board. The refinement of the framework has also involved an exacting review, not only of the level of financial resources allocated to various programme purposes but also of a number of related factors: the underlying programming processes associated with each earmarking; the modalities for accessing resources; the need to continue, and indeed, increase the decentralization and delegation of authority for the formulation and approval of programme/projects to the country level; the need to facilitate and provide incentives for increased mobilization of resources; the need to ensure the universality of participation by all programme countries; and finally the need for effective coordination, and where possible, joint programming of United Nations system assistance.

Three-tiered scheme for country-level resources

17. One of the more significant changes introduced in the revised framework relates to the first category - programmes and projects. Expanding on the suggestion originally made in document DP/1994/59 regarding "fixed assignment by regions and flexible by countries", the Administrator proposes the establishment of three separate, but closely related, country-level facilities for the target for resource assignments from the core (or TRAC). The first facility assigns one portion of the TRAC immediately to countries, in accordance with the distribution methodology to be eventually established. Under the second facility, an equal share is assigned regionally for

subsequent application at the country level. Finally, in the third facility, resources are set aside for development in countries facing special situations, in line with suggestions made by the Executive Board that such a modality be established.

18. The Administrator believes that this proposal combines the best features of existing arrangements. Cumulatively, these three facilities continue the current proportion of resources available for support of country programmes. They nevertheless make it possible for UNDP to pursue and fortify a number of positive changes. First, this proposal provides UNDP greater flexibility to make resource assignments in response to changing development needs and to take advantage of evolving development opportunities, thereby enabling programmes achieve improved focus and quality. Second, it permits quicker, more flexible response to countries where special development circumstances require such action. Third, and most importantly, it provides greater incentives to using core resources as a catalyst for the mobilization of non-core resources.

19. Thus, while this proposal represents a major change, a number of positive results could flow from its implementation. The first facility ensures a degree of predictability for planning purposes, while the second facility provides additional incentive for countries to develop high-priority, high-impact programmes and projects that have the potential to attract and maximize resources available to the country. By diffusing the concept of fixed country entitlements, the proposal introduces a desirable element of flexibility. Resources could be utilized more fully and effectively as redeployment from inactive programmes becomes possible. Finally, the third facility makes possible timely response to special circumstances that can arise in programme countries. Thus, the proposal permits UNDP to be of genuine assistance to a widely differing group of programme countries and maximizes the ability of the organization to mobilize additional resources for their needs.

Programming processes at the country level

20. It is useful to highlight how these facilities might operate in conjunction with the proposed programming and resource planning processes for the next programming period as described in document DP/1995/3. As stated in that document, programming processes at the country level in the next programming period would encompass activities financed from all sources identified in the resource mobilization target (RMT), of which the target for resource assignments from the core (or TRAC) would be an important part. The TRAC would cover the resources assigned under the two facilities mentioned above i.e., the amount immediately assigned to a country, as well as contributions from the amount assigned regionally for subsequent country application. For planning purposes, the TRAC could typically be set at twice the level of the immediately assigned portion. The actual level of resources ultimately made available to a country would, of course, depend upon the level of contributions to the core fund of UNDP as well as on the volume of programmes and projects actually approved by UNDP under the second facility during a programming period.

21. In formulating the framework for UNDP cooperation (see DP/1995/3) resident representatives would continue to work closely with governments in

developing programmes in line with national priorities and strategies, and the areas of focus approved in decision 94/14. It is important to underscore that the resident representative, under the authority delegated by the Administrator, is responsible for determining the provision of UNDP support to programmes and projects in accordance with the country programme/framework approved by the Executive Board. As under the current arrangements, resident representatives would have delegated to them the authority, and indeed the obligation, to apply rigorously the criteria established for the appraisal, approval and financing of programmes and projects. Indeed, it must be emphasized that the same criteria for appraisal and approval of programmes/projects would continue to apply equally, no matter which of the facilities noted here finances the activities proposed.

Incentive to resource mobilization

22. One difference between these two pools of country-level resources may lie in the way they are viewed and used with respect to resource mobilization. The second facility should be seen as providing an incentive to mobilize resources for national programmes from a variety of non-core resources. In fact, it is intended that a consideration in approving resources from the second facility would be the catalytic effect these funds might have in mobilizing further resources. More generally, the second facility would create incentives for the strongest possible programmes and projects across the full range of appraisal criteria.

Delegation of authority to approve programmes/projects

23. Over the years, UNDP has progressively increased the degree of decentralization of programming and implementation, as reflected in the levels of financial authority to approve programmes/projects delegated by the Administrator to resident representatives. This degree of decentralization has, in fact, been enhanced with the adoption of the programme approach. Consideration is also being given to further decentralization, as called for under General Assembly resolution 47/199. In general under the current arrangements, major programmes valued at more than $3 million and projects over $1 million are submitted to UNDP headquarters for approval. After a programme is approved in principle, implementation budgets are approved by the resident representative at the country level.

24. Thus, under the programme approach (a practice expected to intensify in the next programming period), the same degree of decentralization would apply equally to activities financed from the both the first and second facilities. To illustrate this, major programmes formulated at the country level would continue to be submitted to UNDP headquarters for approval, whatever facility finances them. Once the programmes are approved in principle, resident representatives would continue to approve associated implementation budgets at the country level. However, in the case of activities outside the scope of such programmes, authority for approval of resources from the second facility may still be delegated to resident representatives by the Regional Bureaux on the basis of prior substantive consultations.

Assignment of resources to individual countries

25. While the total resources approved for a country under the second facility would depend on the number and size of programmes submitted and approved, the Administrator may nevertheless be required to ensure that resources are distributed equitably and in accordance with guidelines established by the Executive Board. Such guidelines could specify upper and lower limits for resources that can be assigned to any one country. For instance, it might be stipulated that over a specified period (say three years), no country could receive resources in excess of a multiple (say 1.5 times) of the resources that would be available to a country under the first facility. While countries with greater capacities for programme formulation, or in need of urgent support, may well garner resources at earlier stages of a programming cycle, equity in distribution of resources over a period of time would eventually be assured. The Administrator would remain accountable to the Board for the actual distribution of resources in a reporting period and would submit periodic reports to the Board accordingly. Thus, the Board may wish to schedule an initial review of this mechanism for the annual session 1998.

26. The Administrator believes that the proposals made above, taken together, introduce systemic incentives in the UNDP programming framework in order to achieve continuous improvements in quality and focus, and to mobilize additional resources. He further believes that these incentives would provide an equal stimulus and motivation to all parties concerned: the programme countries, the contributor countries and UNDP itself.

B. Proposed resource allocation structure

Revised resource allocation categories

27. As noted in paragraph 15, a broad set of resource allocation categories for the next programming period are proposed: 1.0 - programmes/projects; 2.0 - programme development and technical services; and 3.0 - support to the United Nations system and aid coordination. Category 4.0, for the biennium budget, brings administrative and programme support costs into the total picture.

28. These overarching programme categories embody key programme purposes and provide a more cogent basis for justifying and rationalizing resource earmarkings than do the broad resource labels used in the fifth cycle (i.e., indicative planning figures (IPFs), Special Programme Resources (SPR), agency support costs, and biennial budget costs). The proposed categorization also recognizes that to achieve maximum impact, direct support to country-level programmes and projects should continue to be bolstered by access to a full array of mutually reinforcing contributions that support national priorities.

29. The paragraphs below set out the purposes and rationale for the subcategories included under each of the three major programme categories in greater detail as well as recommendations for resource levels and conditions for access to these funds in the next programming period. The elaboration of the subcategories in this overall framework has involved not only a strict examination of the financial level for each earmarking but also a rigorous

review of a number of factors related to the principles set out in paragraph 12: programming processes, resource access; increased decentralization and delegation of authority at the country-level; the need to facilitate and provide incentives for increased mobilization of resources from non-core sources; the universality of participation by all programme countries; and effective coordination of United Nations system assistance.

30. Thus, the revised categories and subcategories shown in table 1 represent further refinements of the format originally presented in document DP/1995/3. The present table contains an even smaller number of programme earmarkings - a total of 14 as compared to 53 in the fifth cycle. A considerable portion of the adjustments were achieved through the elimination of overlaps and anomalies.

31. Category 1 (programmes/projects) and category 2.0 (programme development and technical services) together provide financial facilities for the full spectrum of direct support and complementary activities required over a project/programme period. Category 1 (programmes/projects) encompasses the bulk of UNDP resources that traditionally flow to implement activities at the country and the intercountry levels. Consistent with the programmatic thrusts set out in decision 94/14, this category also includes resources for: countries facing special situations; activities at the interregional and global levels, including the development and assessment of innovative, pilot approaches in the designated areas of focus for possible replication at the country level; the further and expanded use of the technical cooperation among developing countries (TCDC) modality in programmes and projects; and finally, programme evaluations to ensure accountability and feedback.

32. Category 2 (programme development and technical services) designates resources for other contributions essential to maximizing the impact of the programmes and projects carried out under category 1. This includes policy and sectoral advice, assistance in formulating national programmes and projects; and appropriate channelling of the technical support available from the United Nations specialized agencies. This category also supports the achievement of the first goal of the framework supported under decision 94/14 on the future of UNDP - i.e., strengthening international cooperation for sustainable human development and serving as a substantive resource on how to achieve it. It does so by maintaining a substantive capacity within UNDP and by supporting UNDP contributions to advancing development deliberations and advocacy in international forums.

33. Consistent with the second goal supported under decision 94/14, and with other governing body legislation, category 3 (support to United Nations system and aid coordination) allocates resources for direct UNDP support of the United Nations system and aid coordination. This strengthens ongoing country office support to United Nations organization activities at the national level and also strengthens support to the substantive functions of the resident coordinators.

Outline of the table

34. Table 1 provides a categorized breakdown of core resources - both current and proposed. (The explanatory footnotes indicate from which fifth cycle lines the new subcategories were aggregated or reconstructed.) For information purposes, a separate table in annex 1 (with explanatory footnotes) provides a category breakdown of both core and non-core resources. However, the attention of the Executive Board is drawn to the core resource allocations in table 1, which will ultimately be the focus of the decision on the next programming framework.

35. The first column of figures in table 1 shows the current situation, displaying average annual programming levels to date in the fifth cycle, in both dollar and percentage terms. Average annual programming levels were used to display the current situation (rather than original fifth cycle allocations) because this gives a more accurate picture of the current volume of activities under each item. The second column sets out the Administrator's proposals for revised earmarkings in the next programming period in percentage terms. To visualize the amounts involved, the use of a $1 billion annual figure as an illustrative base for the next period may be helpful. Also, the amount of $986 million shown in the "current" column conveniently approximates this base to provide valid comparisons.

36. Section II.C contains an examination of the individual financial facilities the Administrator is proposing, covering: their purposes, recent experiences, and justifications for the resource earmarkings being recommended. This presentation is intended to give the members of the Executive Board an opportunity to weigh the relative priorities to be assigned to various programme purposes in the next period. For this purpose, the members of the Board will also be able to supplement the information presented here with other evaluations and reports on different programme activities presented on various occasions.

Table 1. UNDP core resources by main categories: comparison of fifth cycle and proposed annual earmarkings
(millions of dollars)

	Footnotes	Earmarkings during fifth cycle $	Earmarkings during fifth cycle %	Proposed percentage earmarkings for next period %
1.0 Programmes/projects				
Country				
1.1 Target for resource assignments from core (TRAC):				
1.1.1 Assigned immediately to countries		526	53.5	*25.0*
1.1.2 Assigned regionally for subsequent country application		-	-	*25.0*
1.1.3 Resources for development in countries in special situations	a/	13	1.3	*5.0*
		539	54.8	*55.0*
Intercountry				
1.2 Regional		56	5.7	*7.6*
1.3 Global, interregional and special activities		25	2.5	*4.2*
		81	8.2	*11.8*
Other				
1.4 Evaluation	b/	1	0.1	*0.4*
1.5 Special resources for TCDC activities	c/	2	0.2	*0.4*
1.6 Resources for implementation	d/	55	5.6	*3.0*
		58	5.9	*3.8*
Subtotal		**678**	**68.9**	*70.6*
2.0 Programme development and technical services				
2.1 UNDP programme support and development activities (PSDA)	e/	33	3.3	*3.0*
2.2 United Nations system support for policy and programme development (SPPD)	f/	16	1.6	*2.0*
2.3 Technical support services from United Nations specialized agencies	g/	11	1.1	*1.6*
2.4 Other	h/	33	3.3	-
Subtotal		93	9.3	*6.6*
3.0 Support to United Nations system and aid coordination				
3.1 Programme support to the resident coordinator/ aid coordination	i/	2	0.2	*1.7*
3.2 Support to United Nations operational activities	j/	43	4.4	*4.3*
Subtotal		45	4.6	*6.0*
4.0 Biennial budget				
4.1 UNDP headquarters		70	7.1	*6.8*
4.2 UNDP country offices		100	10.1	*10.0*
Subtotal		**170**	**17.2**	*16.8*
TOTAL		**986**	**100.0**	*100.0*

For footnotes see page 13.

Footnotes to table

a/ While the proposed earmarking will encompass a wider range of ctivities, the current earmarking finances SPR category A: Disaster itigation and SPR subcategory lines: C2: Special Plan of Economic Assistance o Central America; C3: Programme of Action for African Economic Recovery and evelopment; and F: Assistance to the Palestinian people.

b/ Currently funded from SPR subcategory line E2: Programme valuation/training.

c/ Currently funded from SPR subcategory line B4: Technical ooperation among developing countries (TCDC).

d/ Represents reimbursement of Administrative and Operational ervices (AOS) to implementing agencies, including United Nations agencies, or implementation of projects.

e/ Currently established as programme support and development ctivities (PSDA). Under proposed percentage earmarkings, the 0.3 per cent ecrease from the fifth cycle percentage earmarking pertains to development upport service, which will be accommodated under line 3.1: Programme support o the resident coordinator/aid coordination.

f/ Currently established as the TSS-1 component of the support cost rrangements, as well as a sectoral support facility financing technical ervices from the smaller technical agencies.

g/ Currently established as a technical support facility at the roject level (TSS-2) for the five large agencies. TSS-2 is used to finance echnical support services from the agencies at all stages of the project ycle, including project formulation and project monitoring and backstopping.

h/ Includes SPR subcategory B: Thematic activities; SPR category : Other special and/or new activities; SPR category G: Contingencies; SPR ubcategory line D1: Round-table meetings and support to Consultative Group eetings; SPR subcategory line D2: NATCAPs; SPR subcategory line E1: Project evelopment Facility; SPR subcategory line E3: Programme research; and UNIDO ountry Director and Special Industrial Services (SIS) programmes.

i/ While the proposed earmarking will encompass a wider range of ctivities, the current earmarking finances SPR subcategory lines D3: Other id coordination and D4: Country programme initiatives; no formal earmarking s presently made from the SPR for programmatic support to the Resident oordinator.

j/ Represents UNDP country office support to United Nations perational activities as formally recognized at the level of 29 per cent of otal UNDP country office costs in the presentation of the UNDP biennial udget estimates.

C. Justification and recommended levels for resource allocation categories and subcategories

1. Programmes/projects (line 1.0)

Country

(a) Target for resource assignments from core (TRAC) (line 1.1)

Assigned immediately to countries (line 1.1.1)
Assigned regionally for subsequent country application (line 1.1.2)

37. Country-level resources are currently pre-assigned to individual countries in the form of IPFs in accordance with the established distribution methodology. In the fifth cycle, support to activities at the country level totalled 54.8 per cent of core resources. As set out in the discussion of the programming processes proposed for the next programming period (see document DP/1995/3), an important element in achieving the country-level resource mobilization target (RMT) would be the target for resource assignments from the core (TRAC), a concept that would replace the IPF.

Recommendation

38. As already elaborated in paragraphs 17 to 26 above, the Administrator is recommending a three-tiered framework for the assignment of TRACs in the next programming period. Under this proposal, 55 per cent of core resources would be allocated to line 1.1 for TRACs, subdivided into three sub-lines. Under line 1.1.1, 25 per cent of core resources would be assigned immediately to countries in accordance with the distribution methodology eventually established by the Executive Board (see chapter III). Under line 1.1.2, an equal share (25 per cent) of core resources would be earmarked at predetermined levels by region for application to country-level programmes in the respective region. The earmarkings for each region could be based upon the regional shares resulting from various distribution options, or other methods established by the Board. As discussed further below, 5 per cent of core resources would also be set aside under line 1.1.3, for development in countries in special situations.

39. It should also be recognized that the resources available to support country-level activities are not restricted to the TRAC earmarkings alone. Other facilities in category 1.0 and 2.0 are available to support the effective application of country-level resources to achieve national objectives.

(ii) Resources for development in countries in special situations (line 1.1.3)

40. Recent years have witnessed a phenomenal growth in United Nations activities related to peace-keeping, refugee assistance, relief and other humanitarian activities. It can be observed that man-made disasters largely result from failed development - that is, from fundamental distortions in political, social, economic and ecological patterns and systems. Thus, there is a direct relationship between emergencies and development processes - past,

present and future. How relief assistance is delivered can affect prospects for long-term development. Some emergencies could be prevented or their disastrous impact reduced. International and national responses to emergencies that do occur could be better managed and coordinated. As difficulties are being resolved, more concerted efforts could be mounted to move the affected society further along the development spectrum.

41. This clearly calls for improved initiatives for preventive and curative development. Preventive development requires state-of-the-art capabilities to anticipate and respond to natural and man-made crises before they occur. For curative development, timely post-conflict peace-building, societal reintegration and development activities, including reconstruction and rehabilitation, are essential.

42. Preventive and curative development must often be addressed in the midst of complex emergency and relief situations. There are presently eight countries affected by a complex emergency and fifteen facing critical situations that may easily swell into full-scale emergencies. In many other countries, conditions for crises are building. There are, of course, many countries prone to natural disasters.

43. Special situations that can arise in countries demand a quick, and often unprecedented, kind of response. During the fifth cycle, the Executive Board took special action with respect to the situations that emerged in Albania, South Africa and, most recently, in Haiti. The Board has indicated it would like to establish a mechanism so that such needs would not have to be dealt with on an ad hoc basis.

Recommendation

44. In the fifth cycle, various separate earmarkings were available to support some of these purposes. In the next period, it is proposed that a consolidated earmarking at an increased level of 5 per cent of total resources be established to enable UNDP to fulfil this fuller range of demands. These resources would be applied at many levels of UNDP operations: development of policies and guidelines, advisory services, specialized assistance, diagnosis, capacity formation, preparation of specialized resource mobilization appeals for accelerated development and as a catalytic input into specific programmes and projects.

45. UNDP is well-placed to cooperate with other involved departments, programmes and agencies of the United Nations system to launch a more vigorous response to these many challenges of preventive and curative development. This response would support country efforts to: (a) identify the level of vulnerability to man-made and natural disasters and formulate programmes and strategies for accelerated development and disaster prevention, mitigation and management, including early warning systems; (b) protect past development assets during emergency relief operations and prepare a basis for future reconstruction and development; (c) formulate programmes and projects for rehabilitation and accelerated development, including reintegration of displaced populations, demobilization, de-mining, reconstruction of infrastructure, rebuilding governance, and launching new sustainable human development initiatives; and (d) provide timely support for countries facing special circumstances. Thus, establishment of this facility will enable the

Administrator to respond to unanticipated development crises on a timely basis.

Intercountry

46. As noted in previous reports on this subject, intercountry programmes (a term used to cover global, interregional and regional activities) permit countries to address problems that transcend national boundaries, effectively cooperate in meeting new and emerging needs, and learn from each others' experiences. In this way, intercountry activities contribute, both directly and indirectly, to the achievement of national development priorities. Resources have generally been allocated to these programmes through governing body negotiations that set a fixed percentage of total resources for each, with suballocations made roughly in line with country IPF distribution for the regions. As noted in document DP/1994/20, the share of programmable resources (sum of total IPFs and SPR) allocated to intercountry activities declined from 19 per cent in the fourth cycle to 13 per cent in the fifth cycle. This reduced share of resources has left a number of important intercountry issues poorly addressed.

47. The case for intercountry programmes has strengthened in recent years with, for instance: the end of the cold war and the move to market-based systems; rapid integration of the world's economies and emerging trade partnerships; heightened concerns about health, social, environmental and resource management issues; and the modernization of technological and research capacities relevant to development.

48. With an extensive, global network of country offices, UNDP is in a unique position to foster and support intercountry activities and harness the expertise of United Nations specialized agencies and regional economic commissions for these efforts. The neutrality and universality of UNDP often enable it to assist in ways that are not open to regional development banks and bilateral partners. UNDP inputs are particularly valuable because bilateral assistance does not usually flow to intercountry activities; nor do national budgets, except in special circumstances, provide resources for intercountry collaboration. Furthermore, the multisectoral and capacity-building approaches characteristic of UNDP cooperation, as well as the focus on sustainable human development themes, strongly parallel the cross-cutting nature of many intercountry concerns.

(b) Regional (line 1.2)

49. As pointed out in document DP/1995/3 (paragraphs 38-42), support for regional allocations may have declined in the fifth cycle for a number of reasons, but mainly owing to the increase authorized by the Governing Council in the resources allocated to LDCs that was achieved by transferring a certain amount from the regional programme to those countries. Additionally, the perceived lack of complementarity between national priorities and regional programmes may have contributed to the lack of priority placed on the regional programme. A greater level of national involvement could be achieved through the identification of complementary national and regional interests and by re-emphasizing collaboration among the countries involved. Programme decisions on the use of regional resources could be made by the countries

hemselves in line with their joint priorities. Procedures could be stablished to reinforce this approach.

0. During the fifth cycle, UNDP work with subregional groupings of ountries in identifying common priorities that can best be tackled through egional approaches has produced some very positive models for the future. or instance:

(a) In Africa, UNDP assisted African governments and the Organization f African Unity (OAU) to formulate the Abuja Treaty on the establishment of he African Economic Community. UNDP has also assisted a number of ubregional bodies in cross-cutting areas such as desertification, ntraregional trade promotion, common research on food-security; and griculture in semi-arid areas;

(b) In the Asia and the Pacific region, UNDP has assisted China, the emocratic People's Republic of Korea, Mongolia, the Republic of Korea and the ussian Federation to formulate a regional development strategy for the evelopment of the Tumen River Economic Development area and to establish an ntergovernmental mechanism for cooperation. Similarly, UNDP-assisted ntergovernmental negotiations have led to the establishment of a framework of ooperation for the Mekong River Basin;

(c) In the Latin America and Caribbean region, regional activities ermit UNDP to play the role of honest broker - for instance, helping to steer overnments through the legacy of the Uruguay Round of Trade Negotiations. carce regional IPFs, judicially applied as seed money, have in fact resulted n considerable mobilization of bilateral funding for several regional nitiatives in the Latin America and Caribbean region;

(d) The regional programme for Europe and the Commonwealth of ndependent States has proven particularly useful in dealing with key issues hat are inherently cross-national in nature, such as the environment and nternational trade. Networking and information exchange have also been ffectively and innovatively promoted in the fields of privatization, human evelopment statistics and in aid management. Similar efforts are now under ay with respect to the field of governance, democracy, and participation;

(e) A number of activities related to pre-investment studies and echnology transfer have attracted complementary cost-sharing from development anks in the Arab states region.

ecommendation

1. In line with the promising directions being pursued under the regional rogrammes, the Administrator recommended in document DP/1995/3 that the share f resources allocated for this purpose in the next programming period be estored to approximately fourth-cycle levels. As shown in table 1, an armarking of 7.6 per cent of core resources is recommended, which, while not ully restoring the fourth-cycle share does increase the share of the regional armarkings by 33 per cent.

(c) Global, interregional and special activities (line 1.3)

52. A great deal of action will be taken at the country and regional levels on the implementation of the initiatives for change. However, further research and testing of new ideas and approaches on a number of aspects can be carried out most effectively on a global or interregional basis, drawing from and disseminating a variety of different experiences. Global and interregional programmes promote national, interregional and global partnerships (both north-south and south-south) and mobilize additional resources to support new and innovative responses to important development issues. Both programme and contributor countries acknowledge the relevance and achievements of current global and interregional programmes active in such areas as: sustainable agriculture and food production, health, urban management, gender, HIV/AIDS, forests, water supply and sanitation and trade.

53. In addition to global and interregional programmes, SPR were set aside during the fifth cycle to promote catalytic country-level action on a number of specific themes mandated in decision 90/34 and other legislation. As indicated in annual SPR reports submitted to the Executive Board, these programmes have generally been successful and have included the triggering of allocation of IPF resources for joint, complementary or follow-up activity. The 1994 report on the implementation of the SPR programmes is expected to be circulated during the current session. In addition, the Board will be provided with the results of various SPR sub-programme evaluations scheduled during 1995. Some of the recent accomplishments of the SPR programmes are cited in annex II to assist the Board in its present review.

54. The experience of the current programme cycle has shown that it may be somewhat artificial, on the whole, to distinguish between interregional programmes and SPR programmes. Indeed, in several cases, programmes have been developed that are jointly funded from both sources, which are similar in structure and function. Both programmes also support pilot country initiatives with a view to adaptation between and across regions. It is, therefore, proposed that the earmarkings for global, interregional and SPR programmes be merged in the next programming period, allowing UNDP to continue to refine and develop approaches and mechanisms as set out in the initiatives for change report. It is intended that this merged programme serve as a catalyst for country-level efforts and partnerships in priority areas for sustainable human development, and for the mobilization of additional resources for these purposes.

55. The merged programme would have two major thrusts: global programmes on the one hand and interregional and special programmes on the other.

56. First, it would support global programmes, which represent a unique mechanism for addressing cross-cutting issues of global concern. These programmes would focus on stimulating and supporting global-level research on topics relevant to sustainable human development, thereby enabling countries to access the most effective scientific and technological innovations and enhance their capacities in these areas. Such research would emphasize measures to ensure practical relevance, application and adaptation of science and technology to developing country conditions.

57. The programmes would be carried out through collaborative research among scientists and scientific and technological institutions in developing countries, and would include joint efforts with United Nations agencies and others, drawing on expertise from the north, as appropriate. The global activities would be expected to serve as a catalyst in attracting and mobilizing additional financing for these research programmes from other interested sources, in both the public and private sectors.

58. Secondly, the interregional and special programmes would develop, expand and test strategic and cohesive approaches to key areas of sustainable human development within the overall focus areas of environment, employment, poverty eradication and gender. These programmes would support the dissemination and exchange of experiences on these approaches and stimulate multiregional technical and management cooperation to: enhance developing country access to and application of new knowledge, systems and technologies; promote practical learning experiences; and build national capacity to analyse and exchange information on results and insights gained. Particular attention would be paid to areas of strategic importance in follow-up to United Nations conferences.

59. Interregional and special programmes would also support: consolidation and analysis of state-of-the-art knowledge and experience, and its transfer and adaptation to specific developing country conditions; the development of appropriate tools, networking mechanisms and training materials; the development of institutional, legislative and regulatory reforms; the formulation of national strategies and action programmes as operational tools for those who make investment decisions; support to indigenous capacity-building; and assistance with leapfrogging strategies through innovative demonstration projects.

60. The following types of activities would be included: the evolution and testing of strategies and systems to increase efficient use of energy and natural resources and reduce the depletion of essential stocks of ecological capital; the application of the economics of sustainable development in efforts to incorporate environmental considerations in economic accounts and other economic and social indicators; support to policy development, international cooperation and capacity-building for the creation, diffusion, transfer and adaptation of environmentally superior, employment-creating and other technology to promote sustainable human development.

61. Other areas of focus would include overall strategies for sustainable human development: poverty eradication; employment and sustainable livelihood; social integration; HIV/AIDS; gender; other environmental areas, including biodiversity and food security; management of development and issues of governance, including decentralization and strengthening of civil society and the private sector.

62. The interregional and special programmes would work through cooperative and partnership arrangements with United Nations agencies, centres of excellence and other sources of expertise. The programmes would feature intercountry networks to encourage capacity-building through the strong participation of the countries concerned and to facilitate the exchange and dissemination of experience on important country initiatives. They would tap experience from UNDP, United Nations agencies, non-governmental organizations, academics, civil society, the private sector and policy research centres.

They would also capitalize on the comparative advantages of UNDP in building synergies across countries and regions, and in sharing results of innovative and pilot programmes. These programmes are intended to serve as catalysts to mobilize and channel additional resources from national and external sources to bolster country efforts in these areas.

Recommendation

63. Recognizing the important roles played by the global and interregional programmes and their proven potential for innovation in the three primary goals and four areas of focus noted in decision 94/14, the Administrator recommends that the share of their resources in the next programming period be established at 4.2 per cent of total resources. This figure includes the incorporation of amounts equivalent to fifth cycle allocations for the SPR. Proposals for the modalities of access and management of this facility will be submitted separately to the Executive Board in the context of the report of the Administrator on the implementation of the initiatives for change.

(d) Evaluation (line 1.4)

64. Evaluation in UNDP is currently supported under a separate SPR allocation. Programme quality, accountability and effectiveness will remain major priorities in the next programming period, especially with continuing strains on the organization from resource limitations and the introduction of new initiatives. This will require continued enhancement and development of specific, innovative methodologies and mechanisms for: systematic and strategic evaluation and feedback (which is entrenched in a learning culture); and effective performance assessment and monitoring oriented to accountability and results.

65. The main objective of the evaluation programme is to strengthen UNDP capacities for effective monitoring and evaluation and thereby enhance accountability and the achievement of results in country-level and other programmes. This will be pursued through the following: sound operational planning methods integrated with results-oriented performance, monitoring and assessment systems; carrying out policy, strategic and programme evaluations; mechanisms to feed lessons learned into future programme development; improving and decentralizing the evaluation database; appropriate interventions to assist programme countries in strengthening their own monitoring and evaluation systems and capacities through, for instance, country assessments, training and study visits and the facilitating networks. In 1996 and 1997, about 15 country offices will be selected to pilot the above innovations.

Recommendation

66. To support these activities the Administrator is proposing to increase the earmarking for programme evaluation to a level of 0.4 per cent.

(e) Special resources for TCDC activities (line 1.5)

67. Several governing body decisions 2/ in recent years have stressed that all development partners should renew their efforts to use TCDC as a preferred modality in the preparation and implementation of development projects and activities, noting with concern that TCDC has been used sparingly by most developing countries and the United Nations development organizations. For south-south cooperation to be given priority in line with these repeated directives, it is of cardinal importance for developed and developing countries, as well as the United Nations system and other concerned institutions, to respond to the call for increased use of the TCDC modality.

68. Thus far in the fifth cycle, the Special Unit for TCDC has responded by carrying out a number of important activities to match capacities and needs: subject-specific workshops; capacity enhancement for the management of TCDC; various studies and evaluations; and promotion and sensitization initiatives. These latter initiatives have stimulated increased exchanges of experience among developing countries and served as a catalyst for additional resource mobilization to implement programmes in a number of substantive areas of cooperation.

69. In the future, it is intended that TCDC will help to identify and implement strategic initiatives that will have a major impact on a wide range of developing countries, such as: exchanges on accessing major global conventions (e.g., the Uruguay Round, the United Nations Framework Convention on Climate Change); the promotion of increased cooperation among Asian newly industrialized countries and African countries in terms of the agreements reached at the Asia-Africa forum held in Bandung in December 1994; the exchange of experience and best practices among developing countries on urban management in the context of preparations for HABITAT II; the stimulation of private-sector development though exchanges among countries in all regions; and support to the Programme of Action adopted at the Global Conference on the Sustainable Development of Small Island Development States.

Recommendation

70. With the proposed rationalization of SPR allocations from which TCDC activities are currently funded, it is recommended that a separate earmarking be established for TCDC in the next programming period at an increased level of 0.4 per cent of core resources, in line with the emphasis being placed on this modality.

(f) Resources for implementation (line 1.6)

71. A special line for the cost of implementation is being proposed under the main heading "1.0 Programmes/projects" to recognize that activities under categories 1.1 to 1.5 have related implementation costs (essentially the overhead costs associated with procuring and delivering inputs such as personnel, training, equipment and other components). Implementation costs

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2/ These are: Economic and Social Council resolution 1992/41, General Assembly resolutions 48/172 and 49/96, and decisions of the High-Level Committee on the Review of Technical Cooperation among Developing Countries.

can well be viewed as an integral part of overall project/programme costs and thus are included under this umbrella.

72. The "flat" reimbursement scheme for covering implementation costs was amended in the fifth cycle with the approval of the new support costs arrangements which were intended, inter alia, to optimize the use of a full range of implementation modalities and to provide an incentive to national execution and implementation. 3/ To this end, the arrangements introduced the Administrative and Operational Services (AOS) facility (with separate reimbursement rates for different categories of project inputs). This scheme operates under the financial ceiling of the IPF sub-line facility, which limits implementation costs to 10 per cent of the value of project inputs.

73. Savings in the IPF sub-line, resulting from the national implementation of projects (for which no payment is made) are made available to the country concerned for additional programming. In the fifth cycle, it is estimated that almost 60 per cent of the IPF sub-line resources would eventually be available for programming activities. These resources are therefore shown appropriately as part of line 1.1.1 in table 1.

Recommendation

74. With the transition to the new arrangements from the old (which still apply to the smaller technical agencies), the fifth cycle earmarking for implementation, in fact, comprises 11 separate lines. In the next programming period, it is proposed that these separate lines be subsumed in a single earmarking under category 1.6 - resources for implementation. It is recommended that this earmarking be set at 3 per cent of total core resources to cover the costs of implementation payable to the appropriate United Nations agencies or any other external agents to whom implementation is assigned. This estimate assumes that at least 60 per cent of the activities would be nationally implemented with the remaining 40 per cent implemented by external agents for whom reimbursement of implementation costs need to be made.

75. While this recommendation sets out a proposed financial envelope for implementation costs, it is recognized that the modalities for operation of these arrangements in the next programming period will need further elaboration. This will be provided as part of the next report on support cost arrangements being submitted to the Executive Board later in 1995.

2. Programme development and technical services (line 2.0)

76. As explained in section II.A, category 2 - programme development and technical services - designates resources for a variety of programmatic and technical services needed both to complement and to maximize the effectiveness of UNDP projects/programmes at the country level. At present, these services include: policy and sectoral advice and programme formulation; specialized technical advice, and substantive contributions; and the United Nations common

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3/ A fuller description of the new arrangements and an overview of their operation thus far in the cycle is provided in two recent reports submitted to the Executive Board: Agency support costs (DP/1994/23) and Report of the team of external independent evaluators on the arrangements for agency support costs (DP/1994/23/Add.1).

system implementation services (e.g., the Inter-Agency Procurement Services Office (IAPSO) and the United Nations Volunteers (UNV)). These services are provided directly by UNDP itself and through the United Nations specialized agencies.

(a) UNDP programme support and development activities (PSDA) (line 2.1)

77. The Executive Board currently approves the allocation for Programme Support and Development Activities (PSDA) in the context of the biennial budget review. However, PSDA has been included under category 2.0 - programme development and technical services - because it encompasses activities undertaken by UNDP itself that provide an array of services clearly related to direct programme support and development. As such, it is more appropriate to group PSDA with other similar subcategories.

78. PSDA currently supports three elements. Programme development activities (PDA) were introduced to respond to Governing Council decision 90/34 and other related legislation regarding the substantive capacity of UNDP in the thematic areas. The Governing Council and the Executive Board have clearly distinguished the nature of PDA activities from both the operational support activities funded under the core budget and project-level activities. The economist programme and national professional capacity in the areas of environment and HIV/AIDS in country offices fall under the PDA category, as does developmental work at headquarters relating to grass-roots participation and poverty alleviation, gender in development, human development, public sector management, technology and private sector development, environment, HIV/AIDS and TCDC.

79. PSDA also covers the programme support and implementation activities of UNDP, namely: UNV, IAPSO, headquarters support to national execution, UNDP contributions to the Consultative Group on International Agricultural Research (CGIAR) institutions and the UNDP-UNSO/UNEP joint venture and Development Support Services (DSS). In the next period, however, it is recommended that DSS be subsumed in category 3.

Recommendation

80. For the next period, it is recommended that the resource share for PSDA be maintained, deducting only the resources for activities being moved to other categories. However, it is recognized that the PSDA allocation would remain subject to rigorous review and endorsement by the Advisory Council on Administrative and Budgetary Questions (ACABQ) and that precise directives as to its application would emanate from that process.

(b) United Nations system support for policy and programme development (SPPD) (line 2.2)

81. As mentioned under category 1.6, one of the objectives of the new support cost arrangements is to sharpen the technical contributions of United Nations specialized agencies. The TSS-1 facility, created under these arrangements for the five larger agencies, provides for their involvement in policy, advisory and programme development services to facilitate upstream dialogue at the country level, quite distinct from any direct project involvement (which was the main vehicle for support cost reimbursements under the earlier arrangements). The smaller technical agencies, however, continue

to receive a separate allocation under the sectoral support facility through which they provide similar upstream policy and programme development services to programme countries.

82. The report of the team of external independent evaluators on the arrangements for agency support costs (DP/1994/23/Add.1) points out that TSS-1 is proving an effective facility for programme countries to obtain valuable strategic policy and programme development services from the five specialized agencies. Furthermore, this modestly funded facility serves as an effective catalyst for enhanced focus of the agencies' contributions, especially when combined with support available from the agencies' own regular programmes.

Recommendation

83. Since TSS-1 and sectoral support can more properly be seen as programme development tools, it is recommended that they not be categorized simply as support cost elements, but rather that they be moved to a separate category - United Nations system support for policy and programme development (SPPD).

84. The resources in this earmarking should be accessible by all United Nations specialized agencies, both large and small, as well as by the regional economic commissions. In this manner, programme countries would be able to access uniformly the collective, as well as individual, upstream capacities available in the United Nations system. In addition, the Administrator would be able to undertake and coordinate collaborative exercises with specialized agencies and regional commissions on policy and programme issues of a cross-cutting nature that require multidisciplinary inputs.

85. It is recommended that this facility be established at a level of 2.0 per cent of total resources.

(c) Technical support services from United Nations specialized agencies (line 2.3)

86. A part of the new support cost arrangements introduced in the fifth cycle provides finance for technical services in the sectors of competence of the five large specialized agencies at all stages of the project cycle i.e., formulation, appraisal, monitoring and evaluation. Similar services from the smaller technical agencies are supported through the standard reimbursement rate applied to the projects they execute or implement. These technical support inputs from the agencies during the course of the project serve to enhance the quality of UNDP-funded projects and thereby help the Administrator in the effective discharge of his accountability, especially with respect to nationally executed projects.

Recommendation

87. In the next programming period, it is recommended that provisions for such support at the project level be combined under a single technical support services category accessible to all United Nations specialized agencies, both large and small. This simplified system would permit programme countries to obtain downstream technical services in a uniform, recognized manner from all specialized agencies, thus ensuring the quality of UNDP-funded projects and the Administrator's accountability. It is recommended that an annual

allocation of 1.6 per cent of total resources be set aside for the purposes described.

(d) Other (line 2.4)

88. Category 2.4 in table 1 applies only to the current situation. This residual category aggregates SPR resources from overlapping or anomalous items that were either eliminated or provided for elsewhere in the recommendations set out for the next programming period. These items are noted in the footnotes to table 1.

89. Certain items in the sectoral support category have also been eliminated. In line with the report of the team of external independent evaluators on the arrangements for agency support costs (DP/1994/23/Add.1), which found continued UNDP financing of United Nations Industrial Development Organization (UNIDO) Country Directors posts to be anomalous, the current earmarking has been phased out, although the Executive Board may be asked to consider a modest allocation to facilitate this transition in the UNIDO 1997 budget. Similarly, no special provision has been made for special industrial services (SIS) in the next period, as these services can be accommodated from other earmarking categories as appropriate.

3. Support to United Nations system and aid coordination (line 3.0)

(a) Programme support to Resident Coordinator/aid coordination (line 3.1)

Support to United Nations operational activities (line 3.2)

90. UNDP provides infrastructural, as well as programmatic and substantive support to the United Nations system at the country level, through both the network of country offices and the resident coordinator system. UNDP has been accorded these functions through various legislative mandates, including, most recently, General Assembly resolution 47/199 and Executive Board decision 94/14, which supports the global framework set out in DP/1994/39 as one of the three important goals for the future of UNDP, helping the United Nations family become a unified and powerful force for sustainable human development.

91. Currently, UNDP country office support to the United Nations system is borne by core resources, through a separate allocation (line 3.2) for this purpose in the UNDP biennial budget. This allocation does not, however, provide resident coordinators with resources to carry out their substantive, programmatic functions. To support these initiatives, the Administrator has recently allocated a modest amount from the SPR. In a few countries, resident coordinators, together with other United Nations organizations represented, have come up with some limited local initiatives to support substantive coordination functions. However, the overall effectiveness of the resident coordinator system continues to be hampered by the lack of an established support facility, an arrangement that is now proposed under 3.1.

92. The allocation of the limited SPR funding set up for this purpose in 1994 served as a catalyst to elicit from resident coordinators a considerable range of innovative and successful examples of coordination activities that could be advanced by an expanded facility. These fall into three main areas:

(a) Support for inter-agency programming:

(i) The strengthening of United Nations system interactions regarding national development processes and programmes - specifically, activities related to the preparation and update of country strategy notes, where governments so wish;

(ii) Inter-agency committee reviews of country programmes aimed at harmonization and alignment with national priorities (local representatives of United Nations agencies and Bretton Woods institutions);

(iii) Inter-agency theme groups to exchange ideas and harmonize programmes in areas of particular concern (e.g., sustainable human development, poverty, technology transfer, HIV/AIDS, food security, children's rights, and disaster preparedness);

(b) Support for United Nations system promotional activities:

(i) Workshops/informal sessions to brief collectively government officials and others on the mandates, capacities and programmes of the organizations of the United Nations system; and their work with national partners in that country;

(ii) Promotion and building of country-level acceptance of global initiatives endorsed by United Nations member countries; facilitating preparations and follow-up for global conferences (e.g., United Nations Conference on Environment and Development (UNCED), International Conference on Population and Development (ICPD), the World Summit for Social Development, the Fourth World Conference on Women, HABITAT II).

(c) Common premises and common services:

(i) Preparation of proposals for cost-effective common premises and common services that would benefit both the host country and the United Nations family; common administrative support for resident coordinator activities;

(ii) In-country/inter-agency facilities to access databases and documentation on rosters of national experts and local suppliers of equipment;

(iii) In-country/inter-agency training of programme staff to complement senior official training at the International Labour Organization (ILO) Turin Centre on issues such as harmonization of programmes, the programme approach, national execution;

(iv) Inter-agency access to information crucial for decision-making in emergency (or impending emergency) situations, and where government or normal information channels are impaired.

Recommendation

93. In view of the considerable volume of unmet needs, the Administrator recommends the establishment of a specific facility under line 3.1 at a level

of 1.7 per cent of total resources to provide secure and expanded programme support for the kinds of resident coordinator/aid coordination activities identified above.

94. This programmatic support would be complemented by line 3.2, which essentially incorporates the current biennial budget allocation for support to the United Nations system. This repositioning recognizes that the ongoing UNDP support to United Nations system operational activities represents the fixed costs of coordination (line 3.2), which are indispensable to the programme support to be provided under line 3.1.

III. RESOURCE DISTRIBUTION ALTERNATIVES

95. Chapter III focuses solely on the distribution of the country-level resources in the programme/project category. In particular, the resource distribution methodologies described in the present section relate essentially to resources that would be directly pre-assigned to individual countries under the fixed resource assignment scheme discussed in section II.A and provided for under line 1.1.1 in table 1. Various issues relating to these methodologies were discussed in document DP/1994/59. The following paragraphs crystallize these issues in the form of specific resource distributions for consideration by the Executive Board.

Current methodology

96. To assist the Executive Board it its discussion of resource distribution alternatives, a very brief overview of the main features of the current distribution methodology is provided below. For a more exhaustive examination of this subject, reference can be made to the relevant sections of earlier reports on this subject and the corresponding Governing Council legislation. 4/

97. Country IPFs are currently distributed in accordance with a complex, multifaceted formula. This formula uses gross national product (GNP) per capita and population as primary distribution criteria and a set of supplementary criteria for countries that face special obstacles to development. 5/ In the fifth cycle, 75 per cent of a country's IPF was based on GNP per capita and population while 25 per cent was based on supplementary points. The formula also applies a set of weights to raw GNP per capita and population data, with varying weight co-efficients at different thresholds. The fifth cycle methodology also incorporates what is known as

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4/ DP/1994/20 paragraphs 42-70 and DP/1994/59 paragraphs 33-53 and Governing Council decisions 90/34 and 91/29.

5/ The ten supplementary criteria and their points in the fifth cycle are: least developed country (7 points); land-locked (1 point); island developing (1 point); independent after 1985 (1 point); economically disadvantaged countries in southern Africa (1 point); ecological or geographic disability, or disaster prone (2 points); severely or moderately indebted (2-4 points); terms of trade declined in recent years (1 point); decline in GNP per capita exceeded 30 per cent (1983-1989) (1 point); and economy in transition (1 point).

the "floor" principle, which mitigates the effect of abrupt decreases in the calculated IPF from one cycle to the next.

98. The current methodology also embodies the "graduation" concept, whereby programme countries with higher GNP per capita (and greater "ability to pay" for assistance) receive proportionately lower IPFs and eventually graduate to become net contributor countries (NCCs). The present thresholds for graduation to NCC status is $3,000 ($4,200 for small island developing countries). For countries with GNP per capita above $6,000 ($7,500 for islands), no IPFs are calculated. A complex set of rules relating to programming levels, local office costs, and reimbursability of IPFs also apply to NCCs.

99. A major objective in the distribution methodology over the cycles has been to increase "progressivity", such that a higher proportion of resources are allocated to lower-income countries. Usually, the methodology sets some fixed level of resources that must flow to low-income countries (currently defined as having a GNP per capita below $750) and those with LDC status. In the fifth cycle, this was set at 87 per cent and 55 per cent of total IPFs respectively. 6/

Impact of changes in the resource distribution methodology

100. The following paragraphs explore the impact of modifications to the main elements of the current methodology, in line with earlier Executive Board discussions calling for options to preserve the basic principles of progressivity and universality, and also introduce greater simplicity and transparency to the methodology. For each of the key resource distribution elements (primary criteria, supplementary criteria, floor concepts, and graduation thresholds), the resultant percentage distribution is shown (by region and by category of country) when that element is modified in some fashion.

Baseline distribution: updated primary criteria

101. To facilitate comparisons, table 2 shows two distributions: the actual fifth cycle distribution, using the current methodology and primary data for the base year (1989); and a distribution using current methodology and 1993 (or latest estimated) primary data. 7/ This baseline indicates what might happen if no changes were introduced to the current methodology except revised primary data. The results are shown in table 2 below. Under these conditions, the percentage share for Latin America and the Caribbean would decrease from 7.8 to 6.4 per cent (a 17.9 per cent decrease) and the share for Europe and the Commonwealth of Independent States would increase from 2.2 to 5.4 per cent (a 145.5 per cent increase), with little change to the other regions.

6/ Actual distribution of IPFs thus far in the cycle has resulted in 87 per cent of IPFs flowing to low-income countries and 58.6 per cent to LDCs.

7/ For the fifth cycle, which commenced in 1992, primary data for the base year 1989 were used. For the next programming period, beginning in 1997, the base year for primary data would be 1994. Only 1993 data are currently available.

Table 2. Baseline distribution
(Percentages)

Regions	(1) Fifth cycle distribution a/	(2) Baseline distribution b/	(3) Percentage change (1) & (2)
Africa	45.8	45.2	-1.3
Asia and the Pacific	36.6	35.7	-2.5
Arab States	7.6	7.3	-3.9
Latin America and the Caribbean	7.8	6.4	-17.9
Europe and CIS	2.2	5.4	145.5
Total	100	100	
Countries with GNP< =750	87.0	87.1	0.1
LDCs	58.6	57.1	-2.6

a/ Distribution using 1989 data.
b/ Using 1993 or latest estimated GNP per capita and population data.

GNP per capita

102. In earlier discussions on this subject, it was suggested that alternate indicators such as the human development index (HDI) and/or GNP based on a purchasing-power-parity approach might better capture real development needs. Consultations with various specialists indicate that the HDI is not presently considered technically viable for resource distribution purposes. Similarly, the World Bank and others have indicated that GNP based on the purchasing-power-parity approach are still not yet sufficiently reliable, nor the coverage of countries sufficiently extensive, to be used in a resource allocation model. Thus, at the present stage it appears preferable to retain GNP per capita as one of the primary criteria. Despite some statistical flaws, it remains a robust indicator of a country's economic strength and potential and thus represents an inverse link between the level of UNDP assistance and the ability of a country to finance its own development needs.

Use of population under the poverty line

103. The other primary criterion used in the current methodology is the total population of a programme country. The substitution of the variable "population under the poverty line" for "total population" is an appealing option that would involve using the number of people who fall below the absolute poverty line in each country. For these purposes, nationally determined poverty lines have been used, which is the basis upon which the World Bank and the International Fund for Agricultural Development (IFAD) collect and report data on people in absolute poverty. The proposal to use population under the poverty line as a primary criterion reinforces the following principles: (a) poverty elimination is one of the focus areas for UNDP programmes in the next programming period; (b) UNDP assistance should be directed to poor people wherever they are located rather than only to those in poor countries; and (c) as implied in the sustainable human development paradigm, poor people should be placed at the centre of all development efforts.

Table 3. Distribution based on population under the poverty line
(Percentages)

Regions	(1) Baseline distribution a/	(2) Based on population under the poverty line b/	(3) Percentage change (1) & (2)
Africa	45.2	46.4	2.7
Asia and the Pacific	35.7	35.4	-0.8
Arab States	7.3	7.3	0.0
Latin America and the Caribbean	6.4	6.3	-1.6
Europe and CIS	5.4	4.6	-14.8
Total	100	100	
Countries with GNP< =750	87.1	87.1	0.0
LDCs	57.1	58.5	2.5

a/ Using 1993 or latest estimated GNP per capita and population data.
b/ Population is replaced by population under the poverty line.

104. The increasing number of poverty assessment studies being carried out at the country level ensure that reliable poverty line data are being collected. At this stage, data relating to approximately 70 per cent of the programme countries are available.

105. As shown in table 3, using population under the poverty line instead of total population has the following effects. The percentage share for Africa increases from 45.2 to 46.4 per cent (a 2.7 per cent increase); and for Europe it declines from 5.4 to 4.6 per cent (a 14.8 per cent decrease); with negligible effects in other regions.

Supplementary criteria

106. Supplementary criteria were originally established to recognize the special circumstances that can constrain the development of a country, and account for 25 per cent of the calculation of the IPFs. In the fifth cycle, the LDC status, which receives seven points, dominated these calculations. About 60 per cent of the supplementary point calculation can be attributed to LDC status and 40 per cent to other factors. Furthermore, many of the other criteria are no longer as relevant to present global concerns and may require elimination or at least review.

107. The actual formula for calculating an individual country's IPF using supplementary criteria is extremely complex. Twenty-five per cent of the calculation is fixed and is based on the actual number of points. The remaining 75 per cent varies with the magnitude of that country's IPF. It is estimated that the fixed portion is worth about $80,000 per point in the IPF calculation, whereas the value of the variable portion fluctuates between $5,000 and $25,000 per point. Given the dominance of the LDC factor in these calculations, the impact of the supplementary points would become rather marginal if an alternate means could be established to recognize the development constraints faced by LDCs. This could be done, for instance, through a flat percentage bonus on the calculated country allocations.

Recommendation

108. As shown in table 4, dropping the supplementary point calculations the share of Europe and the Commonwealth of Independent States region increases from 5.4 to 5.8 per cent (a 7.4 per cent increase) and that for the Arab States region falls from 7.3 to 7.1 per cent (a 2.7 per cent decrease); with no or negligible effects on other regions. Given the complexity of the supplementary point calculations, and their somewhat marginal influence on overall distribution patterns, it is recommended that they not be retained. However, the LDCs may be provided a bonus of 6 per cent of their IPF to compensate for the reduction resulting from the elimination of the supplementary points.

Table 4. Distribution based on deletion of supplementary points
(Percentages)

Regions	(1) Baseline distribution a/	(2) Based on deletion of supplementary points	(3) Percentage change (1) & (2)
Africa	45.2	44.4	-1.8
Asia and the Pacific	35.7	36.3	1.7
Arab States	7.3	7.1	-2.7
Latin America and the Caribbean	6.4	6.4	0.0
Europe & CIS	5.4	5.8	7.4
Total	100	100	
Countries with GNP< =750	87.1	87.0	-0.0
LDCs	57.1	56.0	-1.9

a/ Using 1993 or latest estimated GNP per capita and population data.

Floors

109. In an effort to maintain some degree of continuity in the level of UNDP-supported activities in an individual country, the Governing Council instituted a series of "floor" provisions to cushion the effects of IPF decreases that might occur from cycle to cycle. The rules governing the floor provisions have become exceedingly complicated over time, but in brief for the fifth cycle, they guaranteed countries with GNP under $750 at least 100 per cent of their IPF in the previous cycle; countries with GNP from $750 to $1500 at least 90 per cent of their previous IPF; countries with GNP from $1500 to $3000 at least 80 per cent of their previous IPF. Where the calculated IPF in the new cycle did not meet this minimum, a floor supplement was added. Countries with GNP from $3,000 to $6,000 shared $11.55 million as a fixed

floor supplement. 8/ Thus, in theory, the value of floor supplements should diminish over time, except in the case of low-income countries that benefit from 100 per cent floors.

Table 5. Impact of floors supplements
(Percentages)

Regions	(1) Baseline distribution a/	(2) Based on no floors b/	(3) Floors reduced to 90, 80, 70% c/	(4) Percentage change (1) & (2)	(5) Percentage change (1) & (3)
Africa	45.2	45.5	45.4	0.7	0.4
Asia and the Pacific	35.7	34.6	35.2	-3.1	-1.4
Arab States	7.3	7.5	7.4	2.7	1.4
Latin America and the Caribbean	6.4	6.0	6.3	-6.2	-1.6
Europe & CIS	5.4	6.4	5.7	18.5	5.6
Total	100	100	100		
Countries with GNP< =750	87.1	87.2	87.1	0.1	0.0
LDCs	57.1	56.7	56.7	-0.7	-0.7

a/ Using 1993 or latest estimated GNP per capita and population data.
b/ All floors set at zero.
c/ GNP per capita under $750 has a 90 per cent floor; between $750 and $1,500 an 80 per cent floor; and between $1,500 and $3,000 a 70 per cent floor.

Recommendation

110. Table 5 shows the resultant distribution patterns with existing floors (100/90/80), no floors, and floors set at reduced levels of graduation. Most

8/ Higher thresholds for floor calculations apply to island developing countries.

notably, when floors are removed, the share to Latin America and the Caribbean falls from 6.4 to 6.0 per cent (a 6.2 per cent decline) and the share to Europe increases from 5.4 to 6.4 per cent (an 18.5 per cent increase). Thus, the floors essentially function to redeploy resources from one region to another. The reduced floor option mitigates this shift.

111. Taking into consideration the impact of floor supplements, it is recommended that they be reduced to levels shown in column (3) of table 5.

Graduation

112. As explained in paragraph 98, under the current methodology IPFs are still calculated for countries with a GNP between $3,000 - $6,000 (or $4,200 - $7,500 for small island developing countries). No IPF is calculated for countries with a GNP over $6,000 (or $7,500 for small island developing countries). Such programme countries are considered net contributors, and any IPF calculated is reimbursable. Voluntary contributions from net contributor countries to UNDP are expected to cover the IPF plus related local office costs. Until this obligation is met, advances can be made up to 60 per cent of the IPF. Countries where there is no IPF must maintain a certain level of programming to maintain a UNDP country office, and they must also continue to meet all related local costs.

113. One of the challenges is to consider how to ensure the continued participation of "graduated" countries, without prejudice to the principle of progressivity in allocating resources to low-income countries. Countries in the higher GNP brackets indicate that continued UNDP assistance is required to deal with the specific development problems they face. These countries also report that access to core resources, however small, plays a crucial catalytic role, particularly in mobilizing significantly larger amounts from non-core sources. To ensure the continued participation of such countries in UNDP activities, the Executive Board may wish to review some innovative proposals in this regard.

Increase in graduation thresholds

114. One possible option would be to raise graduation thresholds from $3,000 to $4,700. This is consistent with the World Bank graduation level, as well as with the levels the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC) uses for reporting purposes. The upper threshold at which no IPFs are calculated could also be raised, although not proportionately, to, for example, $7,500.

115. As shown in table 6, using existing graduation thresholds with 1993 GNP per capita and population data (or latest estimates) would result in 17 new net contributor countries in addition to the 20 that already exist in the fifth cycle. The IPFs currently allotted to those 37 countries represent less than one per cent of fifth cycle IPFs. If, however, the existing graduation thresholds are raised (to $4,700/$7,500), then only five new NCCs would be added or a total of 25 countries. The IPFs for the 12 countries that would not become NCCs represent about 0.66 per cent of total IPFs at present. This amount would have to be "absorbed" as it would no longer be reimbursable by the affected countries.

Table 6. Effects of graduation

	(1) Fifth cycle distribution a/	(2) Next period Continue thresholds b/	(3) Increase thresholds c/
No. of NCCs	20	37	25
No. of new NCCs	---	17	5
% of total IPF	0.25%	0.94%	0.28%

a/ Graduation thresholds of GNP per capita $3,000 and $6,000 ($4,200 and $7,500 for islands).
b/ Thresholds retained from fifth cycle.
c/ Graduation thresholds increased to GNP per capita $4,700 and $7,500.

Waiver of reimbursability

116. The Executive Board might also wish to consider a possible waiver of the reimbursability of IPFs and related costs depending on the size of the programme. Under this proposal, reimbursability could be waived if the magnitude of the total programme in a country exceeds a certain multiple of the resources assigned from the core fund (say 10 times).

117. If the option of waiving reimbursability applies, then it is likely that about two thirds of the new NCCs would qualify for a complete waiver as the value of their non-core programmes is already many times larger than their core IPF resources. Again, the value of this non-reimbursed amount represents less than one per cent of the total of current IPFs.

Recommendation

118. Based on the above discussion, the Administrator recommends that graduation thresholds be increased to levels specified in paragraph 114. In addition, he recommends that the Executive Board endorse the waiver of reimbursability in proportion to the magnitude of non-core programme activities in an NCC. The two proposals, taken together, would assure the continued participation of a number of countries in the programme, and therefore universality, at a relatively low cost.

Resource methodology options

119. The discussion above illustrates the impact of changes in each of four major distribution elements (with other conditions kept constant). Of course, several different options are possible, using a combination of the changes described above (many of them yielding similar results).

120. In reviewing the various options available, it is important to bear in mind earlier discussions of the Executive Board on the three objectives to be achieved: (a) progressivity i.e., resources allocated to low-income countries; (b) universality, which ensures that all eligible countries are able to participate in UNDP programmes; and (c) simplicity and transparency in the methodology for distribution of resources. Keeping these objectives in mind, and based on the recommendations made in the present section, two combinations are suggested below for consideration by the Board.

Table 7. Illustrative options for resource distribution
(Percentages)

Regions	(1) Fifth cycle distribution a/	(2) Baseline scenario b/	(3) Option 1 c/	(4) Option 2 d/	(5) Percentage change (2) & (3)	(6) Percentage change (2) & (4)
Africa	45.8	45.2	45.3	44.5	0.2	-1.6
Asia and the Pacific	36.6	35.7	35.8	36.3	0.3	1.7
Arab States	7.6	7.3	6.9	7.0	-5.5	-4.0
Latin America and the Caribbean	7.8	6.4	6.5	6.3	1.6	-1.9
Europe and CIS	2.2	5.4	5.5	5.9	1.9	9.1
Total	100	100	100	100		
Countries with GNP<=750	87.0	87.1	87.0	87.8	-0.1	0.5
LDCs	58.6	57.1	57.0	56.6	-0.2	-0.9

a/ Basic criteria: GNP per capita and population using 1989 data; supplementary points; floors (100%, 90% and 80%); and current thresholds for graduation ($3,000 and $6,000).

b/ Same as a/ but using 1993 or latest estimated GNP per capita and population data.

c/ Basic criteria: GNP per capita and population under the poverty line; no supplementary points; reduced floors (90%, 80% and 70%); and increased thresholds for graduation ($4,700 and $7,500).

d/ Basic criteria: GNP per capita and population; no supplementary points; bonus for LDCs (6 per cent); reduced floors (90%, 80% and 70%); and increased thresholds for graduation ($4,700 and $7,500).

121. Both of the options involve discontinuance of the supplementary points, reduced floor protection and increased thresholds for graduation, as recommended earlier in this section. The differences between the two options are that the first uses population under the poverty line as one of the primary criteria; the second continues the use of total population (rather than population under the poverty line), but provides a bonus of 6 per cent to LDCs in order to increase progressivity.

Recommendation

122. The results of these two options, as shown in table 7, are substantially similar. It should be pointed out, however, that data on population under the poverty line are presently not available for all programme countries. Provided that it is possible to collect the required data, the Administrator recommends that option 1 form the basis for resource distribution for the next programming period.

IV. EXECUTIVE BOARD ACTION

123. The Executive Board may wish to:

Endorse the recommendations made in paragraphs 37-94 and as reflected in table 1, on the resource allocations for the next programming period;

Endorse the recommendations contained in chapter III concerning resource distribution methodologies, in particular that contained in paragraph 122;

Request the Administrator, on this basis, to provide a comprehensive and detailed report at the annual session 1995, outlining the overall framework for the next programming period, including: resource distribution by country; programming processes to apply at the country level; and the operation of the financial planning and management scheme at both the aggregate and the country level.

Annex I

UNDP TOTAL RESOURCES: SHARES EARMARKED FOR VARIOUS ACTIVITIES DURING THE PERIOD OF THE FIFTH PROGRAMMING CYCLE (1992-1996)

(millions of dollars)

	Footnotes	Total $	Total %	Core $	Core %	Non-core $	Non-core %
1.0 Programmes/projects							
Country							
1.1 Target for resource assignments from core (TRAC):							
1.1.1 Assigned immediately to countries	a/	5,244	64.2	2,630	53.5	2,614	80.5
1.1.2 Assigned regionally for subsequent country application		-	-	-	-	-	-
1.1.3 Resources for development in countries in special situations	b/	67	0.8	67	1.3	-	-
		5,311	65.0	2,697	54.8	2,614	80.5
Intercountry							
1.2 Regional	a/	418	5.1	283	5.7	135	4.1
1.3 Global, interregional and special activities	a/	257	3.1	125	2.5	132	4.1
		675	8.2	408	8.2	267	8.2
Other							
1.4 Evaluation	c/	5	0.1	5	0.1	-	-
1.5 Special resources for TCDC activities	d/	11	0.1	11	0.2	-	-
1.6 Resources for implementation	e/	479	5.9	275	5.6	204	6.3
		495	6.1	291	5.9	204	6.3
Subtotal		**6,481**	**79.3**	**3,396**	**68.9**	**3,085**	**95.0**
2.0 Programme development and technical services							
2.1 UNDP programme support and development activities (PSDA)	f/	165	2.0	165	3.3	-	-
2.2 United Nations system support for policy and programme development (SPPD)	g/	80	1.0	80	1.6	-	-
2.3 Technical support services from United Nations specialized agencies	h/	56	0.7	56	1.1	-	-
2.4 Other	i/	162	2.0	162	3.3	-	-
Subtotal		**463**	**5.7**	**463**	**9.3**	**-**	**-**
3.0 Support to United Nations system and aid coordination							
3.1 Programme support to the resident coordinator/ aid coordination	j/	9	0.1	9	0.2	-	-
3.2 Support to United Nations operational activities	k/	212	2.6	212	4.4	-	-
Subtotal		**221**	**2.7**	**221**	**4.6**	**-**	**-**
4.0 Biennial budget							
4.1 UNDP headquarters		408	5.0	350	7.1	58	1.8
4.2 UNDP country offices		596	7.3	492	10.1	104	3.2
Subtotal		**1,004**	**12.3**	**842**	**17.2**	**162**	**5.0**
TOTAL		**8,169**	**100.0**	**4,922**	**100.0**	**3,247**	**100.0**

For footnotes see page 39.

Footnotes to annex I

a/ Includes related non-core resources for programme development and technical services.

b/ Currently funded from SPR category A: Disaster mitigation and SPR subcategory lines: C2: Special Plan of Economic Assistance to Central America; C3: Programme of Action for African Economic Recovery and Development; and F: Assistance to the Palestinian people.

c/ Currently funded from SPR subcategory line E2: Programme evaluation/training.

d/ Currently funded from SPR subcategory line B4: Technical cooperation among developing countries (TCDC).

e/ Represents reimbursement of Administrative and Operational Services (AOS) to implementing agencies, including United Nations agencies, for implementation of projects.

f/ Currently established as programme support and development activities (PSDA). Under proposed percentage earmarkings, the 0.3 per cent decrease from the fifth cycle percentage earmarking pertains to development support service, which will be accommodated under line 3.1: Programme support to the Resident Coordinator/aid coordination.

g/ Currently established as the TSS-1 component of the support cost arrangements, as well as a sectoral support facility financing technical services from the smaller technical agencies.

h/ Currently established as a technical support facility at the project level (TSS-2) for the five large agencies. TSS-2 is used to finance technical support services from the agencies at all stages of the project cycle, including project formulation and project monitoring and backstopping.

i/ Includes SPR category B: Thematic activities; SPR category C: Special and new activities; SPR category G: Contingencies; SPR subcategory line D1: Round-table meetings and support to Consultative Group meetings; SPR subcategory line D2: NATCAPs; SPR subcategory line E1: Project Development Facility; SPR subcategory line E3: Programme research; and UNIDO Country Director and Special Industrial Services (SIS) programmes.

j/ Currently financed from SPR subcategory lines D3: Other aid coordination and D4: Country programme initiatives; no formal earmarking is presently made from the SPR for programmatic support to the Resident Coordinator.

k/ Represents UNDP country office support to United Nations operational activities as formally recognized at the level of 29 per cent of total UNDP country office costs in the presentation of the UNDP biennial budget estimates.

Annex II

SUMMARIES OF RECENT ACTIVITIES FUNDED THROUGH THE SPECIAL PROGRAMME RESOURCES

I. GENDER IN DEVELOPMENT

The women-in-development earmarking has demonstrated methodologies for disaggregation of statistics by gender to enhance programming; strengthened women's organizations; and facilitated regional and subregional cooperation of assessments of the status of women, thus helping in preparations for the Fourth World Conference on Women.

II. POVERTY ERADICATION AND GRASS ROOTS

The poverty eradication and grass-roots earmarking has provided upstream support in various countries to: formulate national poverty alleviation action plans, develop innovative approaches for poverty reduction, and link civil society organizations in preparation for the World Summit for Social Development. It has also helped to analyse the links between poverty reduction and other impact areas of UNDP assistance, e.g., the environment and gender.

III. MANAGEMENT DEVELOPMENT PROGRAMME

The Management Development Programme (MDP) has attracted enormous support from programme countries as well as from bilateral and multilateral donors. Several countries are using MDP methodologies in national programmes for state modernization and public sector management. The methodologies are being expanded to cover all social partners (government, including the judiciary and legislative branches, civil society organizations, local governments, professional associations). MDP builds capacity through different entry points - economic and financial management, aid coordination, accountability, decentralization, social development and poverty eradication.

IV. ENVIRONMENT AND NATURAL RESOURCES

The Environment and Natural Resources programme has contributed significantly to the integration of environmental considerations into national development policy and planning processes. The Programme has strengthened the environmental capacities of governments and non-governmental organizations through: programmes which seek to optimize shared expertise and resources for the development of sustainable agricultural practices; the formation of public-private sector partnerships to identify and address local problems related specifically to water, sanitation, energy, and waste management in urban areas through promoting the use of environmentally sound technologies; and support to innovative programmes designed to assist indigenous peoples in developing their own strategies on traditional knowledge for the sustainable exploitation of biodiversity - preserving habitats while yielding sufficient economic benefits for the support of local populations.

V. HIV/AIDS

The HIV/AIDS programme has helped to promote a better understanding at all levels of effective ways to limit further transmission of the virus and to lessen its socio-economic impacts. For instance, UNDP facilitated the First Conference of the Network of African People Living with HIV and AIDS. The programme strengthened the capacity of organizations to document, assess and share their experiences in responding to the epidemic, helping to establish national, regional and interregional networks. It has facilitated national and regional networks on ethics, law and human rights and HIV in Africa, Asia and the Pacific and Latin America and the Caribbean.

VI. PRIVATE SECTOR DEVELOPMENT

The Private Sector Development Programme (PSDP) continued to promote the growth of the private sector's role in the development process. PSDP expanded its Volunteer Advisor Network of national and international business leaders; supported the development of innovative programmes to build national capacity in support of private sector growth; and introduced programmes to strengthen the management of state and municipally owned enterprises, notably in China and Eastern Europe.

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UNDP: MATTERS RELATING TO THE PROGRAMMING CYCLES

Further elaboration of the framework for the next programming period

Report of the Administrator

Addendum

Synopsis of the main report

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Annex

Table 1. UNDP core resources by main categories: comparison of fifth cycle and proposed annual earmarkings 14

I. INTRODUCTION

1. Document DP/1995/15 contains the fourth in a series of five reports being prepared for the Executive Board in the year leading up to a decision on the next programming framework, scheduled to be taken in June 1995. The report itself is, by necessity, lengthy, as it synthesizes many of the key points covered in the earlier papers, and also introduces a great deal of new material. To distil the essential elements and recommendations contained in document DP/1995/15 and thereby facilitate its review by the Board, the present synopsis has been prepared as addendum 1.

2. The introductory section of the main document recalls the foundation established by the three earlier papers: conceptual issues and difficulties related to the existing programming structure (DP/1994/20 of 21 May 1994); options for each of the main framework elements - programming objectives, financing mechanisms, and resource distribution (DP/1994/59 of 16 August 1994); and the elaboration of proposals for a financial planning scheme and overall resource allocation categories (DP/1995/3 of 22 November 1994), as well as the explanatory notes provided for the subsequent informal consultations. It was considered necessary to review these broader components of the programming framework before moving to the detailed elaboration of resource allocations and resource distribution methodologies, which are the focus of the main document.

II. RESOURCE ALLOCATIONS FOR THE NEXT PROGRAMMING FRAMEWORK

A. Application of initiatives for change

Background

3. Chapter II has three parts. Part A, on the application of initiatives for change, points out that the programming cornerstone for UNDP - the cycle structure - has remained relatively static over the past 25 years. It must now be adapted to the considerable, cumulative changes in the environment for development cooperation including: major diversions in Official Development Assistance flows; the changing status of core and non-core funding in UNDP; and difficulties inherent in the existing cycle structure itself.

4. Most importantly, the framework for the next period must respond to a number of overarching programming mandates from the General Assembly and Executive Board: the programme approach, national execution, strengthening United Nations system coordination and the resident coordinator system; sharpening the technical contributions of United Nations specialized agencies; and most recently, Executive Board decision 94/14, which supported sustainable human development as the global framework for UNDP activities, as outlined in the report of the Administrator on initiatives for change (DP/1994/39).

Initiatives for change

5. These initiatives are particularly relevant to the next programming structure for UNDP. The three major goals include: (a) strengthening international cooperation for sustainable human development and serving as a major substantive resource on how to achieve it; (b) helping the United Nations family become unified and powerful for sustainable human development (SHD); and (c) focusing UNDP resources on making the maximum contribution in programme countries to key SHD dimensions.

6. The initiatives for change framework supported by the Executive Board also identified four areas of programme focus: (a) poverty elimination; (b) job creation; (c) protection and regeneration of the environment, and (d) the advancement of women, as well as a set of patterns of intervention in which UNDP has demonstrated comparative advantage.

Links to the programming framework

7. Decision 94/17 underlined the necessary link between the process leading to a structure for the next programming framework and the implementation of decision 94/14. This process translates the basic programming precepts of the initiatives for change into a set of resource facilities and programming tools, prescribing financial levels and modalities for resources. Thus, the Administrator is proposing an overall framework for the allocation of core resources that is aligned to the three goals and four focus areas outlined above, and that responds to evolving development cooperation realities and United Nations system directives, rectifying difficulties inherent in the current structure. This requires a rigorous examination and fundamental overhaul of the existing cycle structure, leading to bold and substantive changes in programming arrangements and the way UNDP operates. To this end, the next programming framework should:

(a) Reaffirm the fundamental principles of United Nations system operational activities (the voluntary, grant nature of multilateral assistance, universality, neutrality, and responding to national development policies and priorities);

(b) Permit the flexibility needed for effective and quick response to often rapidly changing needs at the country, regional, interregional and global levels while de-emphasizing the concept of entitlement to pre-assigned resources;

(c) Maximize the overall impact and effectiveness of United Nations system assistance across the entire spectrum of development cooperation;

(d) Maximize country-level impact in line with national priorities through a sharpened focus for support and the effective monitoring and assessment of results;

(e) Enable UNDP to enhance its complementary roles in downstream support to programmes and upstream development of approaches, and strategies for sustainable human development;

(f) Maximize leverage for the mobilization of additional resources from a variety of sources;

(g) Optimize the use of expertise available through the United Nations specialized agencies at all stages of programming;

(h) Make optimum use of the range of implementation modalities available;

(i) Allow UNDP to support one of its most important "tickets to the future" - the resident coordinator system - and better undertake its historic role as a coordinating, synthesizing and unifying force for the United Nations system as a whole.

The proposed framework: a new departure

8. The Administrator believes that the above objectives cannot be achieved by marginal, or incremental changes to the existing framework. His recommendations taken as a whole, therefore, represent a significant and positive departure from existing practices and provide a firm basis for implementing the initiatives for change. His recommendations recognize: the need to overcome the stagnation in nominal core resources in recent years; the need to create greater incentives to mobilize non-core resources; the rigidities in the present resource allocation system, which hinder the ability of UNDP to respond flexibly to evolving development situations and opportunities, and improve the focus and concentration of programmes; and most important, the need to help countries achieve greater impact and effectiveness in their programmes.

9. The Administrator has also concluded that it is appropriate at this stage of the deliberations to make specific recommendations on both the financial structure, and the percentage allocations to individual facilities.

10. In document DP/1995/3, a broad set of resource allocation categories for the next programming period were proposed: programmes/projects; programme development and technical services; and support to the United Nations system and aid coordination. A fourth category, covering the biennial budget, brings administrative and programme support costs into the total picture.

11. As discussed in greater detail in section II.B, this original framework has been considerably refined, taking into account Executive Board comments on document DP/1995/3. The refinement has involved not only a strict examination of the financial level for each earmarking, but also a rigorous review of a number of related factors: programming processes; resource access; increased decentralization and delegation of authority at the country-level; the need to provide incentives for increased mobilization of non-core resources; the universality of participation by all programme countries; and effective coordination of United Nations system assistance.

Three-tiered scheme for country-level resources

12. One of the more significant changes relates to the first category: programmes and projects. The Administrator proposes the establishment of

three separate, but closely related, country-level facilities for the target for resource assignments from the core (or TRAC). The first facility assigns one portion of the TRAC immediately to countries, in accordance with the distribution methodology to be eventually established. Under the second facility, an equal share is assigned regionally for subsequent application at the country level. Finally, in the third facility, resources are set aside for development in countries facing special situations, in line with Executive Board suggestions that such a modality be established.

13. Although this proposal represents a major change, the Administrator believes that it combines the best features of existing arrangements while allowing UNDP to pursue a number of positive directions. The current share of resources available for country programmes is continued. The first facility ensures a degree of predictability for planning purposes while the second facility provides additional incentives for countries to develop high-priority, high-impact programmes and projects that have the potential to attract and maximize resources. The second facility, therefore, stimulates countries to make greater use of core resources as a catalyst for the mobilization of non-core resources. Secondly, by diffusing the concept of fixed country entitlements, the proposal introduces a desirable element of flexibility that would permit UNDP to make resource assignments in response to evolving development opportunities and needs, thereby enhancing programme focus and quality. Resources could be utilized more fully and effectively as redeployment from inactive programmes becomes possible. Finally, under, the third facility, UNDP could respond more quickly and flexibly to countries where special development circumstances require such action.

14. Thus, the proposal permits UNDP to be of genuine assistance to a widely differing group of programme countries, and maximizes the ability of the organization to mobilize additional resources for their needs.

Programming processes at the country level

15. It is useful to highlight how these facilities might operate in conjunction with the programming and resource planning processes proposed in document DP/1995/3. Programming at the country level in the next programming period would encompass activities financed from all sources identified in the resource mobilization target (RMT), of which the target for resource assignments from the core (or TRAC) would be an important part. The TRAC would cover the resources assigned under the first and second facilities described above i.e., the amount immediately assigned to a country, as well as contributions from the amount assigned regionally for subsequent country application. For planning purposes, the TRAC could typically be set at twice the immediately assigned portion. The resources actually made available to a country would ultimately depend upon the level of contributions to the core fund of UNDP, as well as the volume of programmes and projects actually approved under the second facility.

16. In formulating the framework for UNDP cooperation, resident representatives would continue to work closely with governments in developing programmes in line with national priorities and strategies, and the areas of focus supported in decision 94/14. As under the current arrangements, the Administrator would delegate to the resident representatives the authority, and indeed the obligation, to determine the provision of UNDP support to

programmes and projects in accordance with the country programme/framework approved by the Executive Board, and the rigorous criteria established for the appraisal, approval and financing of programmes and projects. These same criteria would continue to apply equally, no matter which of the facilities finances the activities proposed.

Incentive to resource mobilization

17. One difference between the first and second facility is how they are viewed and used with respect to resource mobilization. The second facility is expected to stimulate the mobilization of resources for national programmes from a variety of non-core resources. In fact, a consideration in approving resources from the second facility would be the catalytic effect these funds might have in mobilizing further resources. More generally, the second facility would create incentives for the strongest possible programmes and projects across the full range of appraisal criteria.

Delegation of authority to approve programmes/projects

18. In recent years, UNDP has been progressively increasing the degree of decentralization by delegating higher levels of financial authority for approval of programmes and projects to resident representatives, a trend that has intensified with the adoption of the programme approach. With the expanded use of the programme approach expected in the next programming period, the same decentralization arrangements 1/ would apply equally to activities funded by the both the first and second facilities. UNDP headquarters would approve major programmes whichever facility finances them. Once programmes are approved in principle, resident representatives would continue to approve associated implementation budgets at the country level. For activities outside the scope of programmes, the Regional Bureaux might still delegate approval of second facility resources to resident representatives, based on prior substantive consultations.

Assignment of resources to individual countries

19. While the actual amount a country receives from the second facility would depend on the volume of programmes/projects submitted and approved, the Administrator may be required to ensure the equitable distribution of resources in line with guidelines established by the Executive Board. (Such upper and lower limits could specify, for instance, that over a specified period (say three years), no country could receive resources in excess of a multiple (say 1.5 times) of the resources available to it under the first facility). Countries with greater capacities for programme formulation, or in need of urgent support, may well garner resources at an early stage, but equity over time could be assured. The Administrator would periodically report to the Board on actual resource distribution, and for this purpose the Board may wish to schedule an initial review in June 1998.

1/ In general under the current arrangements, major programmes valued at more than $3 million and projects over $1 million are approved by UNDP headquarters. After a programme is approved in principle, implementation budgets are approved by the resident representative at the country level.

20. The Administrator believes that the above proposals introduce systemic incentives in the UNDP programming framework in order to achieve continuous improvements in quality and focus, and to mobilize additional resources. These incentives should equally stimulate and motivate all parties concerned: the programme countries, the contributor countries and UNDP itself.

B. Proposed resource allocation structure

Revised resource allocation categories

21. A broad set of resource allocation categories for the next programming period are proposed: 1.0 - programmes/projects; 2.0 - programme development and technical services; and 3.0 - support to the United Nations system and aid coordination (and to complete the picture of core resources - category 4.0 - the biennial budget). These are shown in table 1 from the main document, reproduced in the annex. These categories provide a more cogent basis for rationalizing earmarkings than do fifth cycle labels (indicative planning figures (IPFs), Special Programme Resources (SPR), agency support costs, and the biennial budget), and most importantly, respond clearly to the main thrusts of the initiatives for change.

22. Section II.B contains an elaboration of the rationale for the each of the proposed subcategories, making recommendations for resource levels and modalities for their access in the next programming period. This involved not only a review of financial earmarkings but also of a number of related factors, as outlined in paragraph 11 above. The revised format reduces the current earmarkings (over 50) to a more manageable 14 lines, eliminating many overlaps and anomalies.

23. Category 1.0 (programmes/projects) which covers the bulk of UNDP resources that traditionally flow to country and the intercountry activities, together with category 2.0 (programme development and technical services) encompass financial facilities for the full spectrum of support activities required over a project/programme period. This recognizes that to achieve maximum impact, direct support to national programmes should continue to be bolstered by a full range of other complementary contributions. Category 3.0 sets aside resources for UNDP support to the United Nations system and the resident coordinator functions.

Outline of the table

24. Table 1 the main document (reproduced in the annex) is indispensable to an understanding of the recommendations. The table compares current allocations of core resources on an annualized basis (in dollar and percentage terms) with proposed percentage earmarkings for the next period. To visualize the dollar amounts involved, the use of $1 billion as an illustrative, annual base for the next period may be helpful. The explanatory footnotes indicate from which fifth cycle "lines" the new subcategories were "reconstructed". Annex 1 in the main document provides a categorized breakdown for both core and non-core resources; however, the attention of the Executive Board is drawn to the core resource allocations in table 1, which are the focus of the decision on the next framework.

C. Justification and recommended levels for resource allocation categories and subcategories

25. This section examines the individual financial facilities proposed, covering: their purposes, recent experiences, and justifications for the resource levels recommended. For the purpose of this summary, the most significant recommendations in the three programme categories are highlighted below.

1. Programmes/projects (line 1.0)

26. The most significant recommendations in this category are:

(a) The operation of the proposed three-tiered framework for TRACs was elaborated in paragraphs 12 to 20 above. For the next programming period, 55 per cent of core resources are earmarked under line 1.1 for country-level activities (as compared to 54.8 per cent currently). This share is subdivided into three sub-lines: 25 per cent (line 1.1.1) for immediate assignment to countries according to the distribution methodology eventually established; and an equal 25 per cent share (under line 1.1.2) assigned at predetermined levels by region for subsequent application to country-level programmes. These regional shares could be derived from the agreed resource distribution methodology or other methods established by the Executive Board;

(b) In addition, 5 per cent of core resources (under line 1.1.3) would be set aside for development in countries in special situations of various kinds, in response to the Executive Board request for a facility that would avoid having to deal with such circumstances on an ad hoc basis;

(c) Recognizing the promising efforts to increase country collaboration in the identification of complementary national and regional interests on issues that transcend national boundaries, the Administrator recommends that the share for regional programmes in the next period be increased by 33 per cent to 7.6 per cent of core resources (line 1.2);

(d) Global programmes represent a unique mechanism for practical research on cross-cutting, international issues. Programmes supported by the interregional and SPR earmarkings have proven potential to develop innovative and pilot approaches in the designated areas of focus for possible replication at the country level. In recognition of this, the Administrator recommends that 4.2 per cent of core resources be earmarked for a combined category in the next programming period - line 1.3 - global, interregional and special activities. The management modalities for this facility will be addressed in the separate report on the initiatives for change which the Executive Board requested for the annual session 1995;

(e) To continue to expand the use of the technical cooperation among developing countries (TCDC) modality in programmes and projects (line 1.5), the Administrator recommends that an increased earmarking of 0.4 per cent of core resources be established;

(f) To continue to ensure programme quality, accountability and feedback in the next programming period, especially with the introduction of

new initiatives, it is proposed that the earmarking for programme evaluation be increased to a level of 0.4 per cent;

(g) Line 1.6 provides resources to reimburse implementation costs (i.e., administrative and operational services or AOS) associated with activities carried out under facilities 1.1 to 1.5. It is estimated that 60 per cent of these activities in the next period will be nationally implemented, and therefore, the "savings" accrued on the nationally implemented share have already been incorporated under line 1.1. Line 1.6 combines the 11 separate implementation lines used in the fifth cycle into a single earmarking equal to 3 per cent of core resources. This facility would cover the implementation costs for the estimated 40 per cent of activities that would be implemented by United Nations agencies or other external agents.

2. Programme development and technical services (line 2.0)

27. The most significant recommendations in this category are:

(a) Category 2.0 designates additional facilities to maximize the impact of the programmes and projects supported under category 1.0., including policy and sectoral advice, assistance in programme formulation and technical support from United Nations specialized agencies;

(b) Line 2.1, for UNDP programme support and development activities (PSDA), currently supports programme development activities (PDA) related to: the substantive capacity of UNDP in thematic areas; the programme support and implementation activities of UNDP; and other contributions. For the next period, it is recommended that PSDA be maintained at 3 per cent of core resources (deducting the elements moved to other categories). The PSDA would, however, remain subject to review and endorsement by the Advisory Council on Administrative and Budgetary Questions (ACABQ);

(c) It is recommended that TSS-1 and sectoral support, which are better viewed as programme development tools rather than support cost elements, be combined under line 2.2 - United Nations system support for policy and programme development (SPPD) with an increased earmarking of 2 per cent of core resources. All United Nations specialized agencies, both large and small, as well the regional economic commissions could access this facility. This would permit programme countries to benefit from the upstream capacities of the United Nations system in a uniform manner and also allow UNDP to coordinate collaborative exercises on cross-cutting programmes that require multidisciplinary inputs;

(d) The technical services by the United Nations specialized agencies are financed in the fifth cycle from the TSS-2 facility and other support cost earmarkings, including the sectoral support facility. It is recommended that in the next programming period these provisions be covered by a single category, available to both large and small agencies. This system would again permit programme countries to obtain downstream technical services in a uniform manner and would also enhance the quality of UNDP-funded projects, helping the Administrator discharge his accountability, especially for nationally executed activities. It is recommended that 1.6 per cent of core resources be earmarked for this purpose under line 2.3.

3. Support to United Nations system and aid coordination (line 3.0)

28. The most significant recommendations in this category are:

(a) UNDP currently provides infrastructural, programmatic and substantive support to the United Nations system at the country level through its network of country offices and the resident coordinator system. The establishment of separate category 3.0 for support to the United Nations system and aid coordination specifically recognizes these contributions, and also helps advance various governing body mandates, including in particular, goal two in the initiatives for change report - helping the United Nations family become a unified and powerful force for sustainable human development;

(b) The Administrator recommends line 3.1 be established at 1.7 per cent of core resources to provide a secure and expanded facility for programme support to the resident coordinator/aid coordination, a purpose for which only meagre resources are currently available. This would be used for a considerable range of innovative and successful coordination activities at the country level related to inter-agency programming, advancing United Nations system initiatives; and cost-effective joint services and facilities;

(c) Line 3.2 incorporates the current biennial budget allocation for support to United Nations operational activities. This repositioning under category 3 recognizes that the ongoing UNDP support to United Nations system operational activities represents the fixed costs of coordination, which are indispensable to the programme support to be provided under line 3.1. An earmarking of 4.3 per cent is recommended.

III. RESOURCE DISTRIBUTION ALTERNATIVES

29. Chapter III deals with alternative methodologies for distributing the portion of resources that would be directly pre-assigned to individual countries under 1.1.1 in table 1. The operation of the current resource distribution methodology is summarized as a preface to the examination of alternatives for each of the main elements: primary criteria, supplementary criteria, floors and graduation thresholds. Tables are presented showing the resultant percentage distribution (by region and by category of country) when a single element of the resource distribution model is modified, in isolation from all the others. The main impact of these modifications is as follows:

(a) The baseline distribution shows the effect of making no changes to the current methodology except for updating gross national product (GNP) and population data (1993 or latest estimates). This results in a slight decrease in the share for Latin America and the Caribbean and a substantial increase in the share for Europe and the Commonwealth of Independent States, with negligible changes to the other regions;

(b) Alternate indicators to GNP per capita are not presently considered viable for resource distribution purposes. Thus, it appears preferable to retain GNP per capita as one of the primary criteria;

(c) With all else remaining equal, using population under the poverty line instead of total population (a change which emphasizes the focus on poor people rather than solely poor countries) increases the share for Africa slightly and decreases in the shares for Latin America and the Caribbean, and for Europe and the Commonwealth of Independent States;

(d) With all else remaining equal, dropping the supplementary criteria (that take into account the particular development restraints of certain countries, but are dominated by the least developed countries (LDC) criterion) increases the share of Europe and the Commonwealth of Independent States slightly and has negligible effects on other regions. Given the marginal impact of this calculation, it is recommended that the complex system of supplementary points be discontinued. To compensate for this calculation, it is recommended that a 6 per cent bonus instead be assigned to LDCs.

(e) Eliminating the floors, which guarantee countries a certain percentage of their IPF in the previous cycle, essentially results in a trade-off between regions: the share for Latin America and the Caribbean falls and that for Europe and the Commonwealth of Independent States increases. A weakened floor, which moderates this trade-off, is recommended;

(f) Using existing graduation thresholds 2/ with the latest GNP per capita data would add 17 new net contributors countries (NCCs) to the 20 which exist in the fifth cycle. The IPFs for these 37 countries represent less than 1 per cent of total current IPFs. If the NCC thresholds are raised from $3,000 to $4,700 (consistent with the World Bank graduation level) and from $6,000 to $7,500, then only five new NCCs would be added. The share for the 12 countries that would not become NCCs represents 0.66 per cent of current IPFs;

(g) In this connection, the reimbursability of IPFs and related costs could be waived in cases where total programming in an NCC exceeds a certain multiple of the resources assigned from the core (say 10 times). The Administrator recommends that both increased thresholds and waiver of reimbursability apply in the next period, as this would assure the continued participation of a number of countries in the programme at relatively low cost, and allow them to use core resources to mobilize significantly larger amounts of non-core funds.

30. Many combinations of changes in the main distribution components are possible, some of which yield similar results. These are narrowed down to two options that meet the major objectives for resource distribution: progressivity (in allocation to low-income countries); universality of participation of programme countries, and greater simplicity and transparency.

31. Both options discontinue supplementary points, reduce floor protection and increase thresholds for graduation. The difference between the two options is that the first uses population under the poverty line as one of the

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2/ IPFs are calculated for countries with a GNP between $3,000 and $6,000, but these amounts must be "reimbursed". For countries with a GNP above $6,000, no IPF is established. In addition, all such countries must also bear the full cost of country offices. Higher thresholds apply to small island developing countries.

primary criteria whereas the second continues to use total population, but provides a bonus of 6 per cent to LDCs in order to increase progressivity. The results of these two options are substantially similar. It should be pointed out, however, that data on population under the poverty line are presently not available for all programme countries. Provided that it is possible to collect the required data, the Administrator recommends that option 1 form the basis for resource distribution for the next programming period, as shown in table 7 from the main report reproduced here.

Reproduced from DP/1995/15 - main document

Table 7. Illustrative options for resource distribution
(Percentages)

Regions	(1) Fifth cycle distribution a/	(2) Baseline scenario b/	(3) Option 1 c/	(4) Option 2 d/	(5) Percentage change (2) & (3)	(6) Percentage change (2) & (4)
Africa	45.8	45.2	45.3	44.5	0.2	-1.6
Asia and the Pacific	36.6	35.7	35.8	36.3	0.3	1.7
Arab States	7.6	7.3	6.9	7.0	-5.5	-4.0
Latin America and the Caribbean	7.8	6.4	6.5	6.3	1.6	-1.9
Europe and CIS	2.2	5.4	5.5	5.9	1.9	9.1
Total	100	100	100	100		
Countries with GNP<=750	87.0	87.1	87.0	87.8	-0.1	0.5
LDCs	58.6	57.1	57.0	56.6	-0.2	-0.9

a/ Basic criteria: GNP per capita and population using 1989 data; supplementary points; floors (100%, 90% and 80%); and current thresholds for graduation ($3,000 and $6,000).

b/ Same as a/ but using 1993 or latest estimated GNP per capita and population data.

c/ Basic criteria: GNP per capita and population under the poverty line; no supplementary points; reduced floors (90%, 80% and 70%); and increased thresholds for graduation ($4,700 and $7,500).

d/ Basic criteria: GNP per capita and population; no supplementary points; bonus for LDCs (6 per cent); reduced floors (90%, 80% and 70%); and increased thresholds for graduation ($4,700 and $7,500).

IV. EXECUTIVE BOARD ACTION

32. It is anticipated that the discussion of the document will focus mainly on the proposed resource allocations set out in table 1 of section II.B and the recommended resource distribution methodology set out in chapter III. These proposals are crystallized in a set of recommendations for consideration by the Executive Board.

33. The Executive Board may wish to:

Endorse the recommendations made in section II.C, and as reflected in table 1, on the resource allocations for the next programming period;

Endorse the recommendations contained in chapter III concerning resource distribution methodologies, including in particular, the concluding paragraph;

Request the Administrator, on this basis, to provide a comprehensive and detailed report at the annual session 1995, outlining the overall framework for the next programming period, including: resource distribution by country; programming processes to apply at the country level; and the operation of the financial planning and management scheme at both the aggregate and the country level.

Annex

Table 1. UNDP core resources by main categories: comparison of fifth cycle and proposed annual earmarkings

(millions of dollars)

	Foot-notes	Earmarkings during fifth cycle $	Earmarkings during fifth cycle %	Proposed percentage earmarkings for next period %
1.0 Programmes/projects				
Country				
1.1 Target for resource assignments from core (TRAC):				
1.1.1 Assigned immediately to countries		526	53.5	*25.0*
1.1.2 Assigned regionally for subsequent country application		-	-	*25.0*
1.1.3 Resources for development in countries in special situations	a/	13	1.3	*5.0*
		539	54.8	*55.0*
Intercountry				
1.2 Regional		56	5.7	*7.6*
1.3 Global, interregional and special activities		25	2.5	*4.2*
		81	8.2	*11.8*
Other				
1.4 Evaluation	b/	1	0.1	*0.4*
1.5 Special resources for TCDC activities	c/	2	0.2	*0.4*
1.6 Resources for implementation	d/	55	5.6	*3.0*
		58	5.9	*3.8*
Subtotal		**678**	**68.9**	*70.6*
2.0 Programme development and technical services				
2.1 UNDP programme support and development activities (PSDA)	e/	33	3.3	*3.0*
2.2 United Nations system support for policy and programme development (SPPD)	f/	16	1.6	*2.0*
2.3 Technical support services from United Nations specialized agencies	g/	11	1.1	*1.6*
2.4 Other	h/	33	3.3	-
Subtotal		93	9.3	*6.6*
3.0 Support to United Nations system and aid coordination				
3.1 Programme support to the resident coordinator/ aid coordination	i/	2	0.2	*1.7*
3.2 Support to United Nations operational activities	j/	43	4.4	*4.3*
Subtotal		45	4.6	*6.0*
4.0 Biennial budget				
4.1 UNDP headquarters		70	7.1	*6.8*
4.2 UNDP country offices		100	10.1	*10.0*
Subtotal		**170**	**17.2**	*16.8*
TOTAL		**986**	**100.0**	*100.0*

For footnotes see page 15.

Footnotes to table

a/ While the proposed earmarking will encompass a wider range of activities, the current earmarking finances SPR category A: Disaster mitigation and SPR subcategory lines: C2: Special Plan of Economic Assistance to Central America; C3: Programme of Action for African Economic Recovery and Development; and F: Assistance to the Palestinian people.

b/ Currently funded from SPR subcategory line E2: Programme evaluation/training.

c/ Currently funded from SPR subcategory line B4: Technical cooperation among developing countries (TCDC).

d/ Represents reimbursement of Administrative and Operational Services (AOS) to implementing agencies, including United Nations agencies, for implementation of projects.

e/ Currently established as programme support and development activities (PSDA). Under proposed percentage earmarkings, the 0.3 per cent decrease from the fifth cycle percentage earmarking pertains to development support service, which will be accommodated under line 3.1: Programme support to the resident coordinator/aid coordination.

f/ Currently established as the TSS-1 component of the support cost arrangements, as well as a sectoral support facility financing technical services from the smaller technical agencies.

g/ Currently established as a technical support facility at the project level (TSS-2) for the five large agencies. TSS-2 is used to finance technical support services from the agencies at all stages of the project cycle, including project formulation and project monitoring and backstopping.

h/ Includes SPR subcategory B: Thematic activities; SPR category C: Other special and/or new activities; SPR category G: Contingencies; SPR subcategory line D1: Round-table meetings and support to Consultative Group meetings; SPR subcategory line D2: NATCAPs; SPR subcategory line E1: Project Development Facility; SPR subcategory line E3: Programme research; and UNIDO Country Director and Special Industrial Services (SIS) programmes.

i/ While the proposed earmarking will encompass a wider range of activities, the current earmarking finances SPR subcategory lines D3: Other aid coordination and D4: Country programme initiatives; no formal earmarking is presently made from the SPR for programmatic support to the Resident Coordinator.

j/ Represents UNDP country office support to United Nations operational activities as formally recognized at the level of 29 per cent of total UNDP country office costs in the presentation of the UNDP biennial budget estimates.